mBank S.A. Group

IFRS Condensed Consolidated Financial Statements
for the fourth 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 fourth quarter of 2015.

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		4 Quarters of 2015 period from 01.01.2015 to 31.12.2015	4 Quarters of 2014 period from 01.01.2014 to 31.12.2014	4 Quarters of 2015 period from 01.01.2015 to 31.12.2015	4 Quarters of 2014 period from 01.01.2014 to 31.12.2014
I.	Interest income	3 660 505	3 956 254	874 714	944 371
II.	Fee and commission income	1 433 927	1 399 601	342 651	334 089
III.	Net trading income	292 935	369 156	70 000	88 119
IV.	Operating profit	1 617 855	1 652 700	386 603	394 505
V.	Profit before income tax	1 617 855	1 652 700	386 603	394 505
VI.	Net profit attributable to Owners of mBank S.A.	1 301 246	1 286 668	310 946	307 132
VII.	Net profit attributable to non-controlling interests	2 882	2 642	689	631
VIII.	Net cash flows from operating activities	7 045 636	481 916	1 683 626	115 035
IX.	Net cash flows from investing activities	291 202	(196 312)	69 586	(46 860)
X.	Net cash flows from financing activities	(5 320 487)	721 173	(1 271 384)	172 146
XI.	Net increase / decrease in cash and cash equivalents	2 016 351	1 006 777	481 827	240 321
XII.	Basic earnings per share (in PLN/EUR)	30.82	30.50	7.36	7.28
XIII.	Diluted earnings per share (in PLN/EUR)	30.80	30.47	7.36	7.27
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		
		31.12.2015	30.09.2015	31.12.2014	31.12.2015	30.09.2015	31.12.2014
I.	Total assets	123 523 021	125 750 143	117 985 822	28 985 808	29 667 849	27 681 257
II.	Amounts due to the Central Bank	-	1	-	-	-	-
III.	Amounts due to other banks	12 019 331	14 783 138	13 383 829	2 820 446	3 487 741	3 140 049
IV.	Amounts due to customers	81 140 866	78 545 901	72 422 479	19 040 447	18 531 095	16 991 408
V.	Equity attributable to Owners of mBank S.A.	12 242 346	11 890 334	11 043 242	2 872 779	2 805 250	2 590 911
VI.	Non-controlling interests	32 618	32 743	29 738	7 654	7 725	6 977
VII.	Share capital	168 956	168 954	168 840	39 647	39 861	39 612
VIII.	Number of shares	42 238 924	42 238 537	42 210 057	42 238 924	42 238 537	42 210 057
IX.	Book value per share (in PLN/EUR)	289.84	281.50	261.63	68.01	66.41	61.38
X.	Total capital ratio/capital adequacy ratio	17.25	16.99	14.66	17.25	16.99	14.66

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		4 Quarters of 2015 period from 01.01.2015 to 31.12.2015	4 Quarters of 2014 period from 01.01.2014 to 31.12.2014	4 Quarters of 2015 period from 01.01.2015 to 31.12.2015	4 Quarters of 2014 period from 01.01.2014 to 31.12.2014
I.	Interest income	3 274 494	3 634 827	782 473	867 645
II.	Fee and commission income	1 091 508	1 176 602	260 827	280 859
III.	Net trading income	294 010	354 751	70 257	84 680
IV.	Operating profit	1 523 246	1 478 569	363 995	352 939
V.	Profit before income tax	1 523 246	1 478 569	363 995	352 939
VI.	Net profit	1 271 449	1 174 096	303 826	280 261
VII.	Net cash flows from operating activities	8 084 953	(36 218)	1 931 981	(8 645)
VIII.	Net cash flows from investing activities	347 388	(93 504)	83 012	(22 320)
IX.	Net cash flows from financing activities	(6 281 212)	1 057 740	(1 500 959)	252 486
X.	Net increase / decrease in cash and cash equivalents	2 151 129	928 018	514 034	221 521
XI.	Basic earnings per share (in PLN/EUR)	30.11	27.83	7.20	6.64
XII.	Diluted earnings per share (in PLN/EUR)	30.10	27.81	7.19	6.64
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		
		31.12.2015	30.09.2015	31.12.2014	31.12.2015	30.09.2015	31.12.2014
I.	Total assets	118 795 306	121 427 021	113 603 463	27 876 406	26 647 908	26 653 089
II.	Amounts due to the Central Bank	-	1	-	0	-	-
III.	Amounts due to other banks	12 183 191	14 760 865	13 384 224	2 858 897	3 482 486	3 140 141
IV.	Amounts due to customers	85 924 151	85 794 168	79 312 266	20 162 889	20 241 157	18 607 856
V.	Own equity	11 945 119	11 596 014	10 269 586	2 803 032	2 735 812	2 409 400
VI.	Share capital	168 956	168 954	168 840	39 647	39 861	39 612
VII.	Number of shares	42 238 924	42 238 537	42 210 057	42 238 924	42 238 537	42 210 057
VIII.	Book value per share (in PLN/EUR)	282.80	274.54	243.30	66.36	64.77	57.08
IX.	Total capital ratio/capital adequacy ratio	20.18	20.07	16.95	20.18	20.07	16.95

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

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 31 December 2015: EUR 1 = 4.2615, 30 September 2015: EUR 1 = PLN 4.2386 and 31 December 2014: EUR 1 = PLN 4.2623.

- 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 four quarters of 2015 and 2014: EUR 1 = PLN 4.1848 and EUR 1 = PLN 4.1893 respectively.

Introduction

In Q4 2015, mBank Group continued to face challenging market conditions including record low interest rate levels, significantly reduced *interchange* fees for card transactions while its financial results were additionally adversely affected by the payment of guaranteed funds to the deposit holders of Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie (the Co-operative Crafts and Agriculture Bank in Wołomin) put under receivership and a creation of a provision for mBank's contribution to the Borrowers Support Fund. Despite these difficulties mBank Group reported a quarter on quarter increase in income, which was driven mainly by a rebound in net interest income, stable net fee and commission income and gains less losses from investment securities and on investments in subsidiaries and associates, due to the sale of the Bank's interest in PZU.

In Q4 2015, mBank Group posted a profit before tax of PLN 356.0 million, which represents a decrease by PLN 48.8 million, i.e. 12.1% compared with Q3 2015. Net profit attributable to the owners of mBank fell by PLN 10.0 million, i.e. 3.1%, to PLN 309.5 million compared with Q3 2015.

The main factors determining changes in the Group's financial results in Q4 2015 were as follows:

- **Increase in total income** to PLN 1,110.4 million, i.e. by 13.3% quarter on quarter. Net interest income grew by PLN 34.8 million, i.e. 5.4%, while net fee and commission income rose by PLN 1.8 million, i.e. 0.8%. Net trading income dropped by PLN 13.2 million, i.e. by 15.7%, compared with Q3 2015.

- **Increase in operating expenses** (including amortisation) by PLN 187.7 million (i.e. 40.4% quarter on quarter) to PLN 651.9 million, driven by a PLN 141.7 million payment of guaranteed funds to the deposit holders of Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie (the Co-operative Crafts and Agriculture Bank in Wołomin) and the creation of a PLN 52.1 million provision for mBank's contribution to the Borrowers Support Fund. As a result, the cost to income ratio reached 58.7% in Q4 2015, compared with 47.4% in Q3 2015. Excluding above mentioned one-off events operating expenses decreased quarterly by 1.4%.

- **Decrease in net impairment losses on loans and advances** to PLN 102.6 million amid a moderate asset quality improvement. Consequently, the cost of risk reached 52 basis points in Q4 2015, compared with 57 basis points a quarter earlier.

- **Continued organic growth and business expansion** as demonstrated by:

  - **Growth in the retail customer base** to 4,947 thousand (+83 thousand customers quarter on quarter);

  - **Increase in the number of corporate customers** to 19,562 customers (+473 customers quarter on quarter).

As at the end of Q4 2015, net loans and advances stood at PLN 78,433.5 million, which represents a decline by PLN 973.7 million, i.e. 1.2%, compared with the end of September 2015. The change was driven predominantly by a decrease in the volume of corporate loans coupled with a slight increase in retail loans. Excluding reverse repo / buy sell back transactions net loans and advances increased quarterly by 0.1%.

In Q4 2015, the volume of customer deposits increased by 3.3% quarter on quarter to PLN 81,140.9 million. The growth was mainly driven by an 8.7% rise in retail deposits. In the analysed period, corporate deposits fell slightly to PLN 34,423.9 million.

As a result of the changes discussed above, the loan to deposit ratio of mBank Group stood at 96.7%, its lowest level since the establishment of the Bank.

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

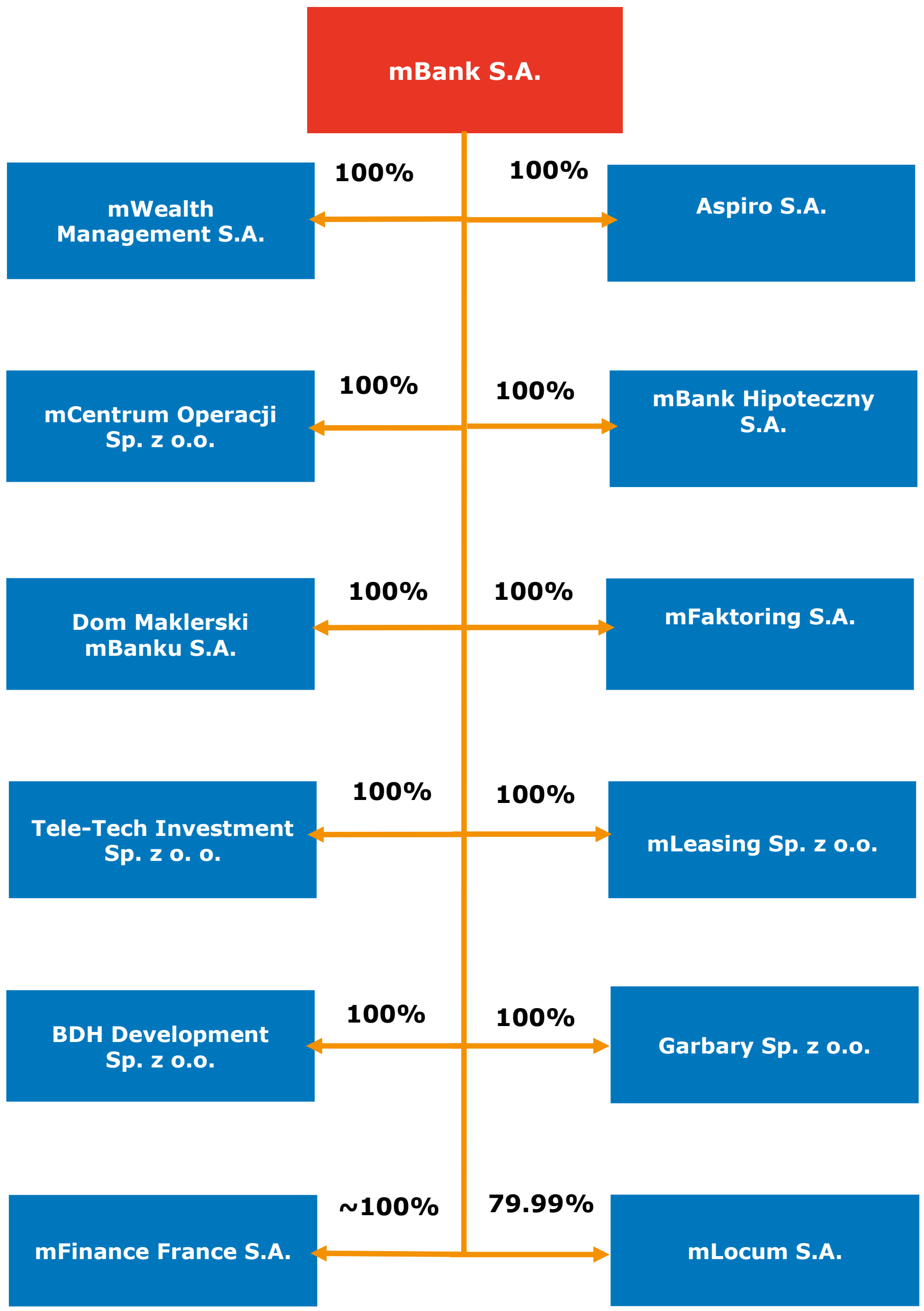
- Gross ROE of 12.9% (compared with 14.7% in Q3 2015);

- Net ROE of 11.2% (compared with 11.6% in Q3 2015).

mBank Group's capital ratios remained at safe levels. As at the end of December 2015, the total capital ratio stood at 17.3% and the Common Equity Tier 1 ratio at 14.3%.

Composition of mBank Group

The composition of mBank Group as of 31 December 2015 was as follows:



Awards and distinctions

Q4 2015 was yet another period when mBank Group was appreciated by both market participants and domestic and foreign experts in a number of prestigious contests.

mBank crowned with laurels once again at a global competition organised by Efma

In an international contest organised by **Efma** and **Accenture** for the most innovative banking projects, mBank was once again among the best banks in the world. This time, the members of the jury and voting Efma members decided to rank **mBank's marketing banking platform** (direct marketing platform enabling long-term relationships with clients and better marketing campaigns management) **the best in the "Digital Marketing" category.** Additionally, **Orange Finanse climbed the podium having won second place in the category "Best new product or service"** and mBank itself received **the third prize in the "Global Innovator" category** in recognition of the number and variety of projects it submitted to this year's competition.

Financial Cool Business Award for mBank marketing platform

The design of mBank's Internet marketing platform was recognised as the most innovative technology supporting business development. **It won the Financial Cool Business Award competition,** which is part of an industrial event **Gartner Symposium ITxpo 2015** in Barcelona. mBank's mobile banking application was also ranked high and made it to the finals in its category.

"The Best of the Best" in a contest organised by the Accounting and Tax Institute

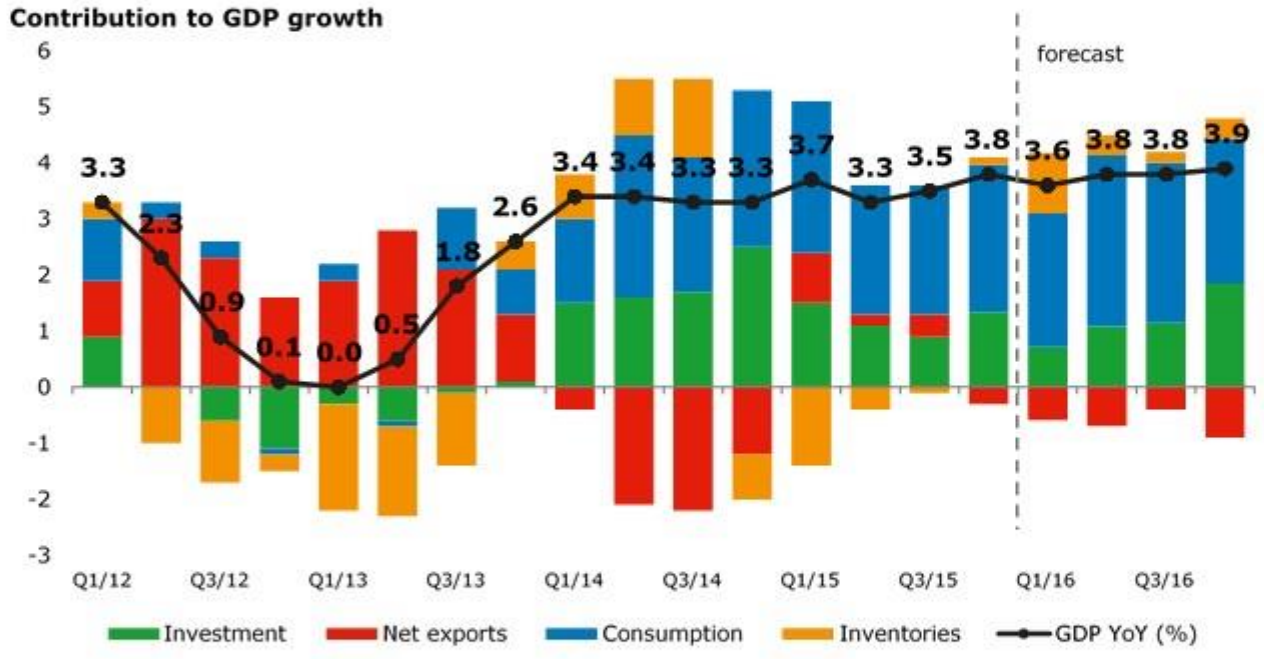
The annual report of mBank Group won the prestigious **"The Best of the Best"** award for the best 2014 annual report in the contest for listed companies organised by **the Tax and Accounting Institute**. The jury recognized that mBank's annual reports consistently meet the highest quality and disclosure standards and may serve as an example for other listed companies. In addition, mBank was appreciated for its on-line annual report.

Macroeconomic environment in Q4 2015

Stable growth in a turbulent environment

2015 was a year of changes and their epicenter fell in Q4. For the first time in 10 years, interest rates in the American economy were raised. At the same time, Q4 turned out well for the economy; however, the search after positive aspects should be clearly separated from the pure statistics of the national accounts because the GDP dynamics (according to our estimates) were only slightly higher than last year: 3.8% YoY, against 3.5% in Q3. The change in growth composition and positive developments on the labor market are particularly worth highlighting.

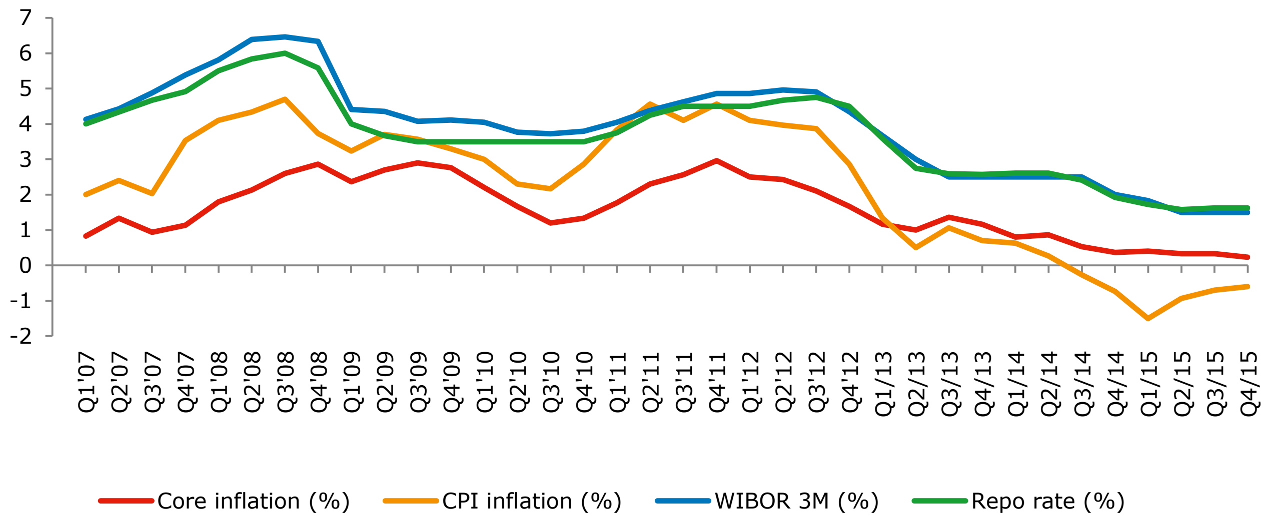
The increase of the end of 2015 was driven to a smaller extent by investments, and to a larger extent by consumption, which was based mainly on the national resources, thanks to which the import dynamics decreased, and export was only slightly smaller than last year, which allowed the statistical increase in the GDP dynamics through the positive contribution of net export growth (the end of 2015 was record-breaking in terms of trade surplus reported jointly in trade in goods and services).



Higher dynamics of consumption were a direct consequence of changes on the labour market: high salary dynamics (in real terms: 4.0% against 3.2% of last year) and further decrease of the unemployment rate which at the end of 2015 fell below 10%, whereas a significant improvement was reported with regards to the number of available job offers on the labour market – by the end of 2015, the number of job offers per one unemployed person reached a historical high. Additionally, low level of activity was also overcome in the employment statistics. With new jobs creation at the level of 32 thousand, Q4 was the best quarter since 2007.

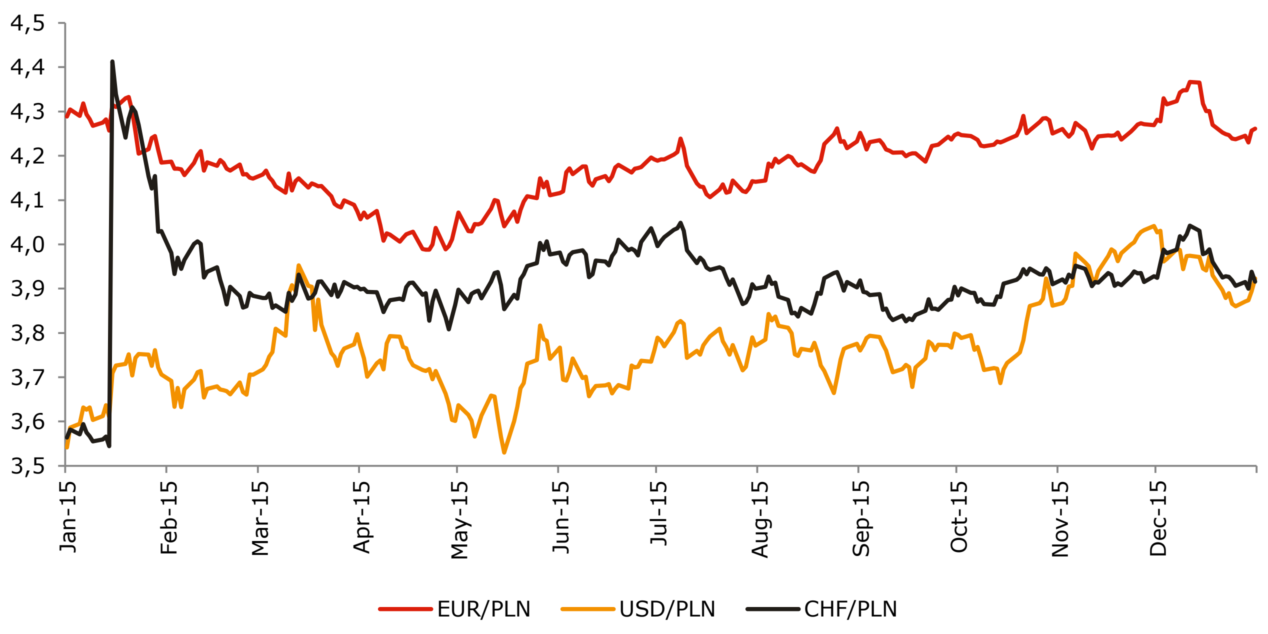
High frequency data also gave the image of a dynamic economy regaining its vigour: in Q4, accelerated dynamics in retail sales and industrial production reached levels which have not been reported for many quarters, and the only negative element was the stagnation in the construction industry. The short-term data improvement from the real economy was accompanied by a slow pick-up in inflation, which – due to the new wave of oil price decreases and strong deflationary pressure in the base categories – turned out to be slower than previously expected. As a result, exiting deflation will take place only in the middle of 2016. Until the end of the year, interest rates remained stable, and the the Monetary Policy Council's rhetoric focused around stabilising interest rates and expectations, as well as expected interactions with a more expansionary fiscal policy.

CPI inflation and NBP reference rate



In the last months of the year, the Polish Zloty remained under depreciation pressure, and the EUR/PLN exchange rate ended 2015 at the level of 4.2580. The depreciation was caused by global factors (weaker sentiment towards emerging markets related to the high FX debt burden at a number of developing countries and upcoming increase in interest rates in the United States and weakening of the global growth) as well as local and political factors, regarding not only the uncertainty concerning the change of authorities (presidential and parliamentary elections) and their economic programme (banking tax, a rather unfavourable stance concerning the Open Pension Funds, pol. OFE), but also the previous proposals of converting CHF denominated mortgage loans brought up during the election campaign.

Currency exchange rates in 2015

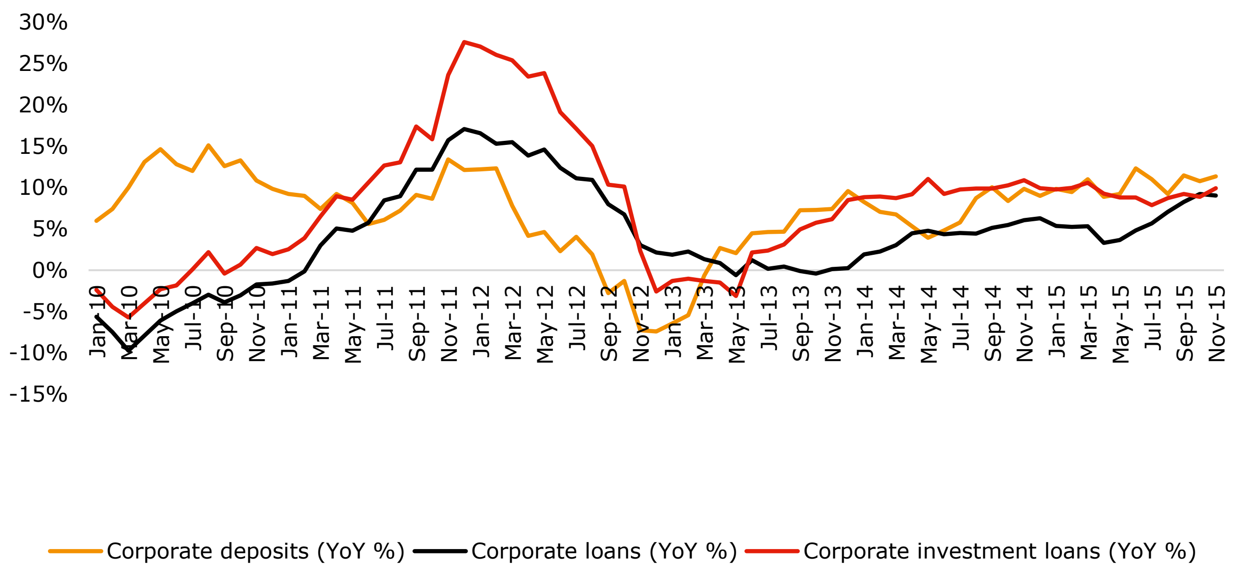


At the end of the year, the 10-year bond yields stood at the level of 2.94%, and their quoting of the treasury debt instruments with long maturity became more variable and prone to global factors and sell-offs (these factors include the increase in the Fed interest rates, fears regarding China); Polish bonds displayed greater correlation with emerging markets countries of a completely different structure than that of the Polish economy (Russia, South Africa, Turkey), which might lead to the conclusion that foreign investors placed the Polish debt in the same category as that of emerging markets countries. At the same time, 5-year bonds performed similarly. The difference was visible in particular in the case of 2-year bonds which, supported by the expected ease of the monetary policy, remained at a downward trend of profitability. The sell-off of December – similarly as in the case of 5-year bonds – was caused not only by the Fed interest rate increase and a negative surprise from the European Central Bank, but also the plans (ultimately not realised) to impose a tax on treasury bonds as an element of banks' assets, which before were commonly bought by banks as a security for loan portfolios and liquidity management.

Banking sector and monetary aggregates

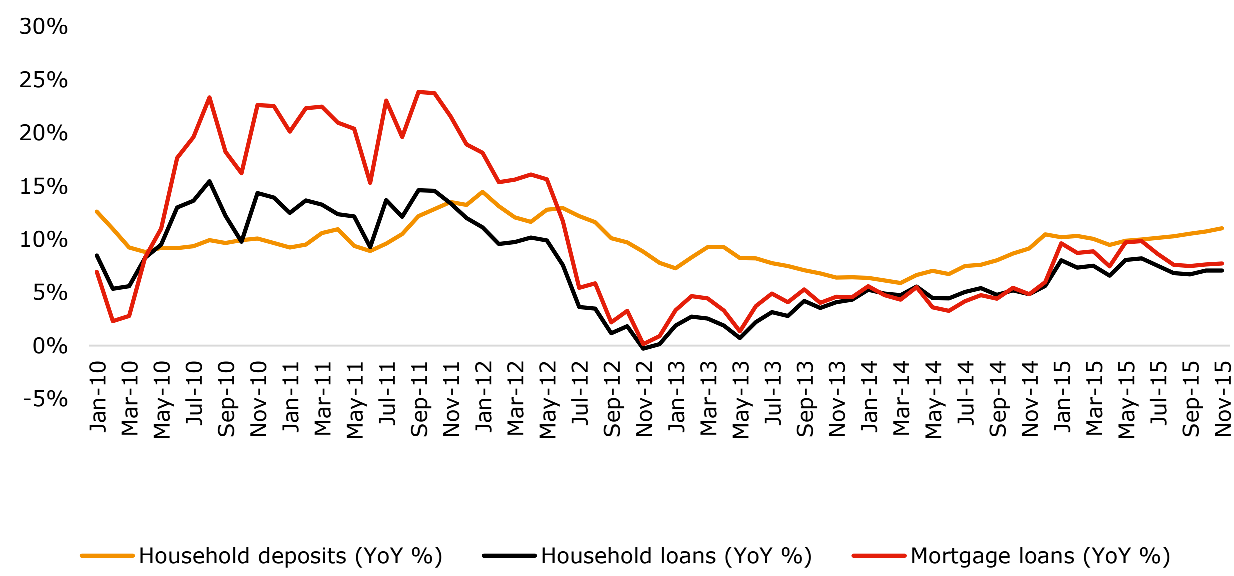
As a result of increasing interest rates (increase in margins even before the introduction of the banking tax), stricter requirements concerning the LtV ratio and relatively low attractiveness of mortgage loans in the environment of additional burdens for the banks, the dynamics of mortgage loans will slow down. It will be balanced by faster growth in the segment of consumer loans (looking at, for instance, the impact of the implementation of the government's 500+ programme to improve credit worthiness), as well as the dynamic growth of corporate loans – here the banking tax should initiate limited restructuring and consolidation.

Corporate loans and deposits



Although a significant fall in deposit interest rates may be expected (another effect of the banking tax and the balance sheet size rationalisation), it should not have a major impact on the deposit dynamics for households. Investment alternatives are currently unattractive, and the higher nominal income (both due to wages and social benefits) means that individual client will continue to supply the banking sector with deposits to an even larger extent.

Household loans and deposits



Changes in recommendations of the Polish Financial Supervision Authority (KNF) and legal regulations concerning banks

Payment Services Act

On November 17, 2015 the amended Payment Services Act entered into force. It aims to maintain the appropriate level of competition on the market of payment card systems operating in Poland by introducing a temporary release (until December 8, 2018) of some of the payment card systems from the obligation to apply the EU regulations concerning the maximum levels of interchange fees charged for every card transaction. The release covers systems whose market share does not exceed 3% with a view to facilitating the entry of smaller domestic entities into the market dominated by two foreign systems.

Act on Assistance to Borrowers in a Difficult Financial Situation

The Act on assistance to borrowers in a difficult financial situation who took out a housing loan, was announced in November 2015. Starting from February 19, 2016 until December 31, 2018, borrowers meeting specific criteria will be able to apply for interest-free support in repaying their housing loan. The monthly payment of up to PLN 1,500, covering principal and interest instalments, will be transferred by the Bank Guarantee Fund directly to the account of the bank that granted the loan over a period of up to 18 months. The repayment of the support should be completed within 8 years and start 2 years after the last support instalment was paid.

The support will be paid from the Borrowers Assistance Fund with an initial value of PLN 600 million, financed by payments made by lenders proportionally to their share in the housing loans for households which are 90 days or more past due.

If the value of the Fund is reduced to below PLN 100 million, banks will be obliged to make additional payments in proportion to the amount of support already provided to the clients of a given lender in order to bring the value of the Fund back to the level of at least PLN 300 million.

Amendments to the Banking Law Act and certain other acts

On November 27, 2015, amendments to the Banking Law Act entered into force. The most important of them include abolition of the bank enforcement title, as a result of which the procedure was removed from the Polish law. Another major amendment that will enter into force on July 1, 2016 addresses the problem of so-called "dormant accounts", i.e. accounts held by deceased persons, by allowing heirs to access information and receive the funds held on every account of the deceased.

Act on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System

Except for the provisions concerning capital buffers applicable as of January 1, 2016, the Act on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System entered into force in Q4 2015. In particular, the Act aims at implementing Directive 2013/36/EC of the European Parliament and of the Council (CRD IV) to the Polish law, while the main changes involve the introduction of additional capital buffers, corporate governance principles and disclosure rules. Additionally, the Act regulates the crisis management procedure by appointing the Financial Stability Committee and making the Bank Guarantee Fund responsible for recovery and resolution.

Act on the Performance of the Agreement between the Government of the Republic of Poland and the Government of the United States of America to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA)

On December 1, 2015, the act establishing the legal framework for the performance of the provisions of the agreement on improvement of international tax compliance and implementation of FATCA together with the associated IGA entered into force.

The act enables implementation of the provisions allowing the identification, collection, processing and forwarding information on accounts of citizens and residents of the United States by Polish financial institutions.

KNF Recommendation Concerning Security of Payment Transactions Performed on the Internet by Banks, National Payment Institutions, National Electronic Money Institutions and Cooperative Savings and Credit Unions.

In December 2015, the KNF recommendation concerning security of payment transactions performed on the Internet entered into force. Its aim is to introduce uniform minimum requirements for the security of online transactions binding on online payment providers. The fulfilment of the provisions of the recommendation covering the rules and organisation of risk management and assessment process, control and security measures with regard to online payments, educating clients and communicating with them, will be analysed during the Supervisory Review and Evaluation Process (Polish: BION) performed by the KNF.

The Bank Tax Act

In addition to the above-mentioned regulations, on January 15, 2016, the Act on Tax on Certain Financial Institutions was adopted, introducing a monthly tax (0.0366% monthly, i.e. 0.4400% yearly) to be paid among others by banks based on the amount of assets upon certain deductions, such as the value of own funds and treasury bonds. Moreover, legislative works on a number of other regulatory proposals which will materially affect the operation of banks are underway. Among the most important of them are: the amendment to the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution, which aims at transposing Directive 2014/59/EU establishing a framework for recovery and resolution, and Directive 2014/49/EU on deposit guarantee schemes.

Financial position of mBank Group in Q4 2015

Profit and Loss Account of mBank Group

mBank Group generated a profit before tax of PLN 356.0 million in Q4 2015, which represents a decrease by 12.1% compared with Q3 2015. Net profit attributable to the owners of mBank fell by 3.1% quarter on quarter and stood at PLN 309.5 million. The quarterly drop was driven by a one-off rise in costs related to a PLN 141.7 million payment of guaranteed funds to the deposit holders of Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie (the Co-operative Crafts and Agriculture Bank in Wołomin) under administration and by the creation of a PLN 52.1 million provision for mBank's contribution to the Borrowers Support Fund.

PLN M	Q4 2014	Q3 2015	Q4 2015	QoQ	YoY
Interest income	992.7	919.1	960.3	4.5%	-3.3%
Interest expense	-360.2	-277.3	-283.7	2.3%	-21.2%
Net interest income	**632.5**	**641.8**	**676.6**	**5.4%**	**7.0%**
Fee and commission income	337.4	371.9	382.0	2.7%	13.2%
Fee and commission expense	-137.0	-136.3	-144.6	6.1%	5.5%
Net fee and commission income	**200.4**	**235.6**	**237.4**	**0.8%**	**18.5%**
Dividend income	1.0	14.3	0.0	-	-
Net trading income	70.5	84.1	70.9	-15.7%	0.6%
Gains less losses from investment securities, investments in subsidiaries and associates	34.5	-9.4	127.4	-/+	269.3%
Other operating income	67.8	60.2	51.4	-14.6%	-24.3%
Other operating expenses	-66.8	-46.7	-53.2	14.0%	-20.4%
Total income	**939.9**	**979.9**	**1 110.5**	**13.3%**	**18.1%**
Net impairment losses on loans and advances	-112.6	-111.0	-102.6	-7.6%	-8.9%
Overhead costs and amortization	-443.5	-464.2	-651.9	40.4%	47.0%
Profit before income tax	**383.8**	**404.7**	**356.0**	**-12.1%**	**-7.3%**
Income tax expense	-75.3	-84.0	-46.6	-44.5%	-38.1%
Net profit attributable to:	**308.5**	**320.7**	**309.4**	**-3.5%**	**0.3%**
- Owners of mBank S.A.	**308.6**	**319.5**	**309.5**	**-3.1%**	**0.3%**
- Non-controlling interests	-0.1	1.2	-0.1	-110.3%	0.0%

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

ROA net	1.0%	1.0%	1.0%
ROE gross	15.5%	14.7%	12.9%
ROE net	12.4%	11.6%	11.2%
Cost / Income ratio	47.2%	47.4%	58.7%
Net interest margin	2.3%	2.1%	2.2%
Common Equity Tier 1 ratio	12.3%	13.4%	14.3%
Total capital ratio	14.7%	16.3%	17.3%

Income of mBank Group

In Q4 2015, total income generated by mBank Group amounted to PLN 1,110.5 million, which was higher than in Q3 2015 by 13.3%.

Net interest income remained mBank Group's largest revenue source and reached PLN 676.6 million, which represents an increase by PLN 34.8 million, i.e. 5.4% quarter on quarter.

Interest income in Q4 2015 rose by PLN 41.2 million, i.e. 4.5%, compared with Q3 2015 and stood at PLN 960.3 million. Loans and advances remained the main source of interest income with a share of 70.1%. This income category increased by PLN 30.9 million, i.e. 4.7% quarter on quarter and stood at PLN 673.2 million. In the reporting period, interest income on derivatives classified into banking book increased by PLN 18.7 million, i.e. 43.5%.

Interest expenses grew by PLN 6.4 million, i.e. 2.3% quarter on quarter, to PLN 283.7 million. In Q4 2015, interest expenses paid to clients increased by PLN 16.3 million, i.e. 9.7%, which results from the increase in the average balance of deposits to clients. The second largest category of interest expenses was issuance of debt securities, which fell by PLN 11.0 million, i.e. 15.9%, to PLN 58.2 million. Interest expenses on subordinated debt remained stable at PLN 17.3 million.

Net interest margin of mBank increased to 2.2%.

Net fee and commission income in Q4 2015 was higher by PLN 1.8 million, i.e. 0.8% quarter on quarter, and amounted to PLN 237.4 million.

Fee and commission income in Q4 2015 grew by PLN 10.1 million, i.e. 2.7% quarter on quarter, and stood at PLN 382.0 million. Payment card-related commissions rose by PLN 1.6 million, i.e. 1.8%, amid increasing amount and value of credit card transactions. Credit-related fees and commissions also went up by PLN 1.6 million, i.e. 2.1%. Commission income on sales of insurance products of external financial entities fell slightly (by PLN 2.3 million, i.e. 5.4%) and was coupled with a growth in commissions from brokerage activity and debt securities issue. At the same time, commissions on bank accounts decreased (by PLN 0.8 million, i.e. 1.9%) to PLN 41.4 million.

Fee and commission expenses in Q4 2015 amounted to PLN 144.6 million, which represents an increase by PLN 8.3 million, i.e. 6.1% quarter on quarter, mainly due to an increase in payment card-related fees.

Dividend income - in Q4 2015 mBank generated no dividend income, compared with PLN 14.3 million received from PZU SA in Q3 2015.

Net trading income in the discussed period amounted to PLN 70.9 million and was lower by PLN 13.2 million, i.e. 15.7% quarter on quarter. The drop in net trading income results mainly from a loss caused by the valuation of interest rate derivatives. Foreign exchange result stood at PLN 75.2 million and was by PLN 7.4 million higher quarter on quarter.

Gains less losses on investment securities and on investments in subsidiaries and associates stood at PLN 127.4 million, compared with PLN -9.4 million in the previous quarter, driven by the proceeds from the sale of PZU shares amounting to PLN 125.0 million.

Net other operating income (other operating income net of other operating expenses) decreased in Q4 2015 to PLN -1.8 million, compared with PLN 13.5 million in Q3 2015, which is explained mainly by a drop in apartment sales by mLocum and the creation of certain provisions for future liabilities.

Costs of mBank Group

In Q4 2015, total overhead costs of mBank Group (including amortisation) stood at PLN 651.8 million, which represents an increase by 40.4% quarter on quarter, triggered by one-off costs related to a PLN 141.7 million payment of guaranteed funds to the deposit holders of Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie (the Co-operative Crafts and Agriculture Bank in Wołomin) and by the creation of a PLN 52.1 million provision for mBank's contribution to the Borrowers Support Fund.

PLN M	Q4 2014	Q3 2015	Q4 2015	QoQ change	YoY change
Staff-related expenses	214.0	217.0	210.6	-2.9%	-1.6%
Material costs, including	157.3	156.5	153.9	-1.7%	-2.2%
- logistic costs	82.1	79.1	84.0	6.2%	2.3%
- IT costs	25.7	33.9	26.1	-23.0%	1.6%
- marketing costs	37.1	27.6	29.4	6.5%	-20.8%
- consulting services costs	11.0	14.7	11.9	-19.0%	8.2%
- other material costs	1.5	1.2	2.6	116.7%	73.3%
Taxes and fees	4.1	4.2	56.7	1250.0%	1282.9%
Contributions and transfer to the Bank Guarantee Fund	17.7	34.1	175.8	415.5%	893.2%
Contributions to the Social Benefits Fund	1.6	2.2	1.6	-27.3%	0.0%
Other	24.3	0.0	0.0	-	-
Amortization & Depreciation	47.9	50.2	53.1	5.8%	10.9%
Total overhead costs and amortization & depreciation	**466.9**	**464.2**	**651.7**	**40.4%**	**39.6%**
Cost / Income ratio	47.2%	47.4%	58.7%	-	-
Employment (FTE)	6 318	6 490	6 541	0.8%	3.5%

In Q4 2015 staff-related expenses were lower by PLN 6.4 million, i.e. 2.9% quarter on quarter, due to a decrease in variable remuneration components. The headcount of mBank Group increased by 51 FTEs in Q4 2015.

Material expenses in Q4 2015 were relatively stable and fell by only PLN 2.6 million, i.e. 1.6% quarter on quarter. In the reported period, IT costs and consulting services costs decreased, while logistic, marketing and other material costs increased.

Amortisation increased by 5.8% quarter on quarter.

The cost to income ratio at the end of Q4 2015 reached 58.7% and was by 11.3 percentage points higher quarter on quarter due to a rise in one-off costs incurred in Q4 2015. Excluding one-off costs and gain from the sale of PZU shares the cost to income ratio stood at 46.5%.

Net impairment losses on loans and advances

Net impairment losses on loans and advances in mBank Group stood at PLN 102.6 million in Q4 2015, representing a decrease by PLN 8.4 million, i.e. 7.6% quarter on quarter.

PLN M	Q4 2014	Q3 2015	Q4 2015	QoQ change	YoY change
Retail Banking	96.5	65.6	42.3	-35.5%	-56.2%
Corporates and Financial Markets	16.2	25.3	68.1	169.2%	320.4%
Other	-0.1	20.1	-7.8	-	-
Total net impairment losses on loans and advances	**112.6**	**111.0**	**102.6**	**-7.6%**	**-8.9%**

Net impairment losses on loans and advances in the Retail Banking stood at PLN 42.3 million in Q4 2015, compared with PLN 65.6 million reported in Q3 2015.

Net impairment losses on loans and advances in Corporates and Financial Markets stood at PLN 68.1 million, representing a rise by PLN 42.8 million quarter on quarter. Compared with Q3 2015, net impairment losses on loans and advances significantly increased in K2 and K3 client segments due to some additional provisions created on several legacy exposures.

Net impairment losses on loans and advances in the segment Other dropped significantly due the release of provisions created for loan exposures.

Consolidated statement of financial position

The balance sheet total of mBank Group stood at PLN 123,523.0 million at the end of Q4 2015, down by 1.8% compared with the end of September 2015, which was caused predominantly by a drop in trading securities due to the sale of government bonds.

Assets of mBank Group

PLN M	31.12.2014	30.09.2015	31.12.2015	QoQ change	YoY change
Cash and balances with Central Bank	3,054.5	4,630.9	5,938.1	28.2%	94.4%
Loans and advances to banks	3,751.4	2,793.8	1,897.3	-32.1%	-49.4%
Trading securities	1,163.9	2,561.1	557.5	-78.2%	-52.1%
Derivative financial instruments	4,865.5	3,737.7	3,349.3	-10.4%	-31.2%
Net loans and advances to customers	74,582.4	79,407.2	78,433.5	-1.2%	5.2%
Investment securities	27,678.6	30,026.1	30,736.9	2.4%	11.0%
Intangible assets	465.6	477.2	519.0	8.8%	11.5%
Tangible assets	717.4	692.6	744.5	7.5%	3.8%
Other assets	1,706.5	1,423.5	1,346.9	-5.4%	-21.1%
Total assets	**117,985.8**	**125,750.1**	**123,523.0**	**-1.8%**	**4.7%**

Loans and advances to clients were the largest asset category of mBank Group at the end of Q4 2015. Their share in total assets increased slightly to 63.5% compared with 63.1% at the end of Q3 2015. Net loans and advances to clients stood at PLN 78,433.5 million in Q4 2015 and decreased by PLN 973.7 million, i.e. 1.2% quarter on quarter (excluding reverse repo / buy-sell-back transactions and the FX effect, net loans and advances increased by 0.1%).

Gross loans and advances to corporate clients fell by PLN 1,512.9 million, i.e. 4.3%, to PLN 33,446.6 million (excluding reverse repo / buy-sell-back transactions and the FX effect, the volume of loans and advances to corporate clients remained unchanged).

The volume of loans to individuals was slightly up by PLN 877.3 million, i.e. 1.9% quarter on quarter, to PLN 46,258.7 million. The volume of mortgage and housing loans rose by PLN 823.2 million, i.e. 2.5% quarter on quarter, driven by continued strong sales and sound demand from clients. In Q4 2015, mBank Group sold PLN 1,304.8 million worth of mortgage loans and PLN 1,206.6 million worth of non-mortgage loans. Excluding the FX effect, loans to individuals rose by approx. 1.1%. In Q4 2015 gross loans and advances to the public sector decreased by PLN 110.4 million, i.e. 6.8%. The value of those loans stood at PLN 1,520.7 million at the end of December 2015.

Investment securities were the Bank's second largest asset category at the end of Q4 2015 and stood at PLN 30,736.9 million, i.e. 24.9% of total assets, and increased by PLN 710.8 million, i.e. 2.4% quarter on quarter.

mBank Group's total liabilities and equity

PLN M	31.12.2014	30.09.2015	31.12.2015	QoQ change	YoY change
Amounts due to other banks	13,383.8	14,783.1	12,019.3	-18.7%	-10.2%
Derivative financial instruments	4,719.1	3,380.5	3,173.6	-6.1%	-32.7%
Amounts due to customers	72,422.5	78,545.9	81,140.9	3.3%	12.0%
Debt securities in issue	10,341.7	11,280.9	8,946.2	-20.7%	-13.5%
Subordinated liabilities	4,127.7	3,785.3	3,827.3	1.1%	-7.3%
Other liabilities	1,918.0	2,051.3	2,140.7	4.4%	11.6%
Total Liabilities	**106,912.8**	**113,827.0**	**111,248.0**	**-2.3%**	**4.1%**
Total Equity	**11,073.0**	**11,923.1**	**12,275.0**	**3.0%**	**10.9%**
Total Liabilities and Equity	**117,985.8**	**125,750.1**	**123,523.0**	**-1.8%**	**4.7%**

In Q4 2015, amounts due to clients, which are the Group's principal source of funding, grew by 3.3% quarter on quarter (the increase was reported in the area of amounts due to individual clients). The share of amounts due to customers in total liabilities and equity reached 65.7%, compared with 62.5% at the end of Q3 2015.

Amounts due to corporate clients decreased by PLN 498.3 million, i.e. 1.4% quarter on quarter, to PLN 34,423.9 million at the end of Q4 2015. In the reporting period, amounts due to retail clients increased by PLN 3,659.4 million, i.e. 8.6%, to PLN 46,177.1 million. The change was mainly driven by increasing balances of term deposits. Amounts due to the public sector stood at PLN 599.9 million, which represents a drop by PLN 566.1 million, i.e. 48.6%.

Amounts due to other banks stood at PLN 12,019.3 million at the end of Q4 2015, accounting for 9.7% of total liabilities and equity of mBank Group. Compared with Q3 2015, amounts due to other banks dropped by PLN 2,763.8 million, i.e. 18.7%, which was caused mainly by the repayment of CHF 250 million loan to Commerzbank.

The share of equity in total liabilities and equity of mBank Group rose slightly to 9.9%, compared with 9.5% at the end of Q3 2015.

Quality of the loan portfolio of mBank Group

As at 31 December 2015, the volume of non-performing loans (NPL) decreased compared with the end of September 2015. As a result, the NPL ratio decreased quarter on quarter to 5.7%.

PLN M	Q4 2014	Q3 2015	Q4 2015	QoQ change	YoY change
Provisions for receivables with impairment	2,548.4	2,775.2	2,728.7	-1.7%	7.1%
Impairment provisions for exposures analysed according to portfolio approach	242.4	266.6	247.2	-7.3%	2.0%
Provisions for receivables	**2,790.8**	**3,041.8**	**2,975.9**	**-2.2%**	**6.6%**
Receivables with impairment	**4,914.6**	**4,857.1**	**4,631.5**	**-4.6%**	**-5.8%**
NPL ratio	6.4%	5.9%	5.7%		
Coverage ratio	51.9%	57.1%	58.9%		

Provisions for loans and advances to customers fell by PLN 65.9 million quarter on quarter to PLN 2,975.9 million, including PLN 2,728.7 million of NPL provisions. The IBNI (Incurred But Not Identified) loss provision remained relatively stable quarter on quarter at PLN 247.2 million.

Receivables with impairment dropped quarterly by 4.6%, which was caused mainly by a decrease in the segment of Retail Banking due to a sale of non-performing mortgage loan portfolio in the gross amount of PLN 186.6 million.

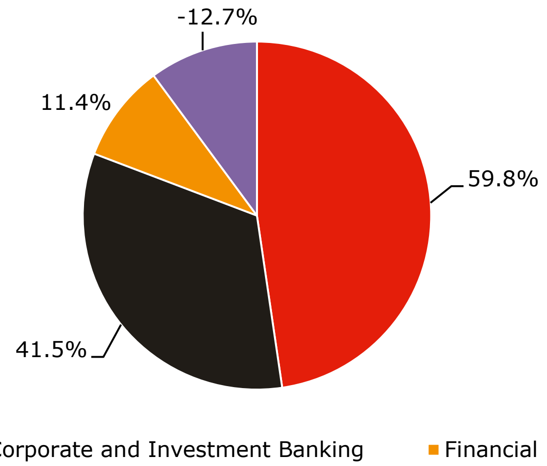
The ratio of provisions (including IBNI provisions) increased slightly from 62.6% to 64.3% quarter on quarter.

Performance of segments and the business lines

In Q4 2015, the segment of Retail Banking made the largest contribution to the profit before tax of mBank Group, i.e. 59.8%, compared with 56.0% in Q3 2015. The contribution of the Corporate and Investment Banking segment was 41.5% and the contribution of Financial Markets was 11.4%.

PLN M	Q4 2014	Q3 2015	Q4 2015	QoQ change	YoY change
Retail Banking	182.4	226.5	212.7	-6.1%	16.6%
Corporate and Investment Banking	163.9	152.5	147.7	-3.1%	-9.9%
Financial Markets	50.7	37.8	40.6	7.4%	-19.9%
Other	-13.2	-12.1	-45.0	272.7%	241.7%
Profit before tax of mBank Group	**383.8**	**404.7**	**355.9**	**-12.1%**	**-7.3%**

Gross profit contribution by business segments in Q4 2015



Retail Banking

Summary of segment results

In Q4 2015, the Retail Banking segment generated a profit before tax of PLN 212.7 million, which represents a decrease by PLN 13.8 million, i.e. 6.1% quarter on quarter.

PLN M	Q4 2014	Q3 2015	Q4 2015	QoQ change	YoY change
Net interest income	393.3	395.2	405.1	2.5%	3.0%
Net fee and commission income	99.3	141.9	132.5	-6.6%	33.4%
Dividend income	0.0	0.1	0.0	-	-
Net trading income	27.6	24.8	23.2	-6.5%	-15.9%
Gains less losses from investment securities, investments in subsidiaries and associates	-0.7	0.0	-0.3	-	-
Net other operating income	-3.7	-8.5	-3.7	-56.5%	0.0%
Total income	515.8	553.5	556.8	0.6%	7.9%
Net impairment losses on loans and advances	-96.5	-65.6	-42.3	-35.5%	-56.2%
Overhead costs and amortisation	-236.9	-261.4	-301.8	15.5%	27.4%
Profit before tax of Retail Banking	**182.4**	**226.5**	**212.7**	**-6.1%**	**16.6%**

The profit before tax of the Retail Banking segment in Q4 2015 was predominantly driven by:

- **Increase in total income** by PLN 3.3 million, i.e. 0.6% quarter on quarter to PLN 556.8 million. Net interest income increased by PLN 9.9 million, i.e. 2.5%, while net fee and commission income was lower by PLN 9.4 million, i.e. 6.6%.
- **Increase in overhead costs and amortisation** by PLN 40.4 million, i.e. 15.5%, to PLN 301.8 million, compared with Q3 2015 due to the increase in material costs and other administrative costs, due to abovementioned cost related to the payment on mBank's contribution to the Borrowers Support Fund.
- **Fall in net impairment losses on loans and advances** by PLN 23.3 million quarter on quarter.

Activity in the Retail Banking segment (Bank)

thou.	31.12.2014	30.09.2015	31.12.2015	QoQ change	YoY change
Number of retail clients, including:	**4,551.5**	**4,864.0**	**4,947.3**	**1.7%**	**8.7%**
Poland	3,789.4	4,055.4	4,127.7	1.8%	8.9%
Foreign branches	762.1	808.6	819.7	1.4%	7.6%
The Czech Republic	534.2	565.6	573.1	1.3%	7.3%
Slovakia	227.9	243.0	246.5	1.5%	8.2%
PLN M					
Loans to retail clients, including:	**41,444.0**	**45,234.5**	**46,168.7**	**2.1%**	**11.4%**
Poland	**38,526.0**	**41,692.6**	**42,344.7**	**1.6%**	**9.9%**
mortgage loans	30,540.1	32,908.5	33,473.4	1.7%	9.6%
non-mortgage loans	7,985.9	8,784.0	8,871.3	1.0%	11.1%
Foreign branches	**2,917.9**	**3,541.9**	**3,824.0**	**8.0%**	**31.1%**
The Czech Republic	2,250.5	2,714.2	2,899.6	6.8%	28.8%
Slovakia	667.5	827.7	924.4	11.7%	38.5%
Deposits of retail clients, including:	**38,999.4**	**41,812.4**	**45,645.4**	**9.2%**	**17.0%**
Poland	**33,381.0**	**35,679.0**	**39,273.6**	**10.1%**	**17.7%**
Foreign branches	**5,618.5**	**6,133.4**	**6,371.8**	**3.9%**	**13.4%**
The Czech Republic	3,788.6	4,294.2	4,488.0	4.5%	18.5%
Slovakia	1,829.8	1,839.2	1,883.7	2.4%	2.9%
Investment funds (Poland)	**5,252.1**	**5,825.9**	**5,736.2**	**-1.5%**	**9.2%**
thou.					
Credit cards, including	**327.4**	**476.7**	**331.5**	**-30.4%**	**1.3%**
Poland	296.9	302.9	303.6	0.2%	2.3%
Foreign branches	30.6	173.8	28.0	-83.9%	-8.5%
Debit cards, including:	**3,032.2**	**3,212.9**	**3,239.1**	**0.8%**	**6.8%**
Poland	2,445.3	2,677.8	2,701.0	0.9%	10.5%
Foreign branches	586.8	535.1	538.1	0.6%	-8.3%

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

	31.12.2014	30.09.2015	31.12.2015
Distribution network			
Light branches within "One Network" Project	2	7	9
Advisory Centres	1	2	4
mBank (former Multibank)	130	127	123
mKiosks (incl. Partner Kiosks)	67	79	83
Aspiro Financial Centres	23	23	23
Czech Republic & Slovakia	35	36	36

Retail Banking (including Private Banking) in Poland

In Q4 2015 the number of retail banking clients of mBank in Poland rose by 72.3 thousand. In addition, the number of accounts (including Orange Finanse) also grew by a record number in Q4 2015, reaching 3,728.2 thousand.

The sales of loans increased by 3.2% quarter on quarter while deposit base increased by 10.1%.

In Q4 2015, in the Retail Banking area mBank continued its cooperation with Orange and worked on developing its product offer as part of the Orange Finanse project. Since the project's launch in October 2014 Orange Finanse has opened more than 250 thousand accounts and acquired nearly the same number of clients, including almost 27 thousand in Q4 2015 alone.

Orange Finanse brand was ranked among the top global players participating in the contest for the best banking projects organised by Efma and came second in the Best New Product and Service category (Efma is an organisation associating more than 3.3 thousand financial institutions from over 130 countries, including 80% of Europe's largest retail financial institutions). The purpose of the competition is to award the most interesting and innovative projects of financial institutions worldwide, addressed to retail clients. In 2015, 211 financial institutions from 59 countries entered the competition with 500 innovations. More on mBank Group awards in the section "Awards and distinctions".

Q4 2015 was also a period of important implementations and changes in the offer, in particular the continued development of the credit offer, which now includes the sale of cash loans of up to PLN 150 thousand to new and existing clients in Orange stores.

In the next quarter the Bank will focus on activities designed to help Orange Finanse become the best bank for Orange clients, mainly thanks to the relaunch of the bundle offer allowing active bank clients to cut their monthly phone bills.

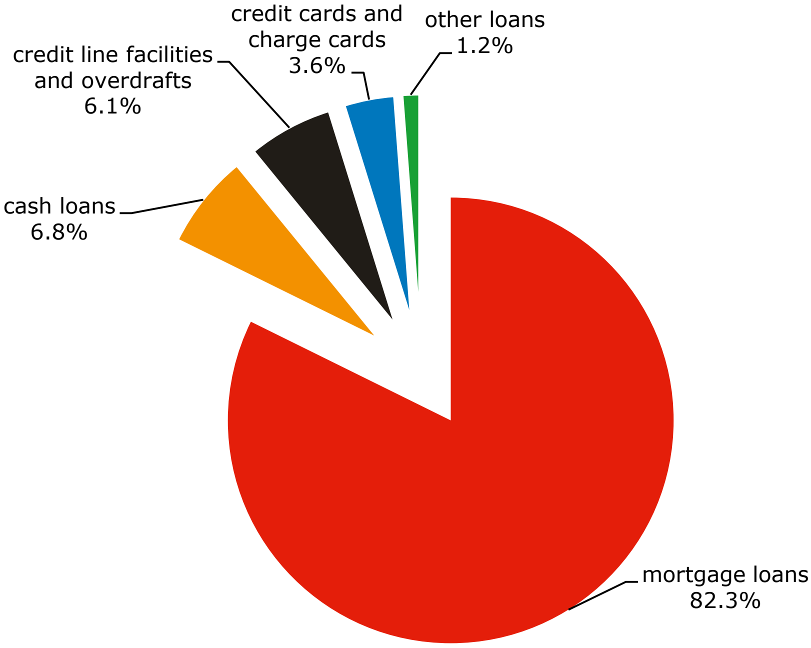
In Q4 2015 in the Retail Banking area a special attention was given to the needs on SME clients. Among activities supporting this initiative was inter alia a competition "StartUp Challenge" organized to start successful partnerships with startups based on best ideas, to become a leader in technological changes.

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 December 2015:

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



Q4 2015 was another consecutive quarter when the portfolio of non-mortgage loans granted to households increased dynamically, by PLN 71.5 million, i.e., 0.8% quarter on quarter. The main product categories that reported growth included cash loans and credit cards. Sales of non-mortgage loans in Q4 2015 amounted to PLN 1,206.6 million and was stable quarter on quarter.

Sales of mortgage loans in Q4 2015 stood at PLN 1,304.8 million (including sales of mBank Hipoteczny), which represents a decrease of 2.0% quarter on quarter.

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

	30.09.2015	31.12.2015
Balance sheet value (PLN billion)	29.9	**30.4**
Average maturity (years)	20.0	**20.0**
Average value (PLN thousand)	284.5	**284.7**
Average LTV (%)	82.4%	**82.2%**
NPL (%)	4.2%	**3.8%**

Deposits and investment funds

In Q4 2015, the uncertain and unstable situation observed on capital markets helped to intensify further shift of retail clients' investment assets towards savings products, in particular fixed-interest term deposits.

The most popular in Q4 2015 were safe products with guaranteed rate of return (term deposits and savings accounts) as well as guaranteed investment products for savers looking for the security of a capital guarantee. In Q4 2015 the Bank conducted a subscription for the Specialist Open-end Investment Fund with a capital guarantee mechanism and two subscriptions of structured products in the form of a structured deposit and structured certificates.

Compared with Q3 2015, the balance of savings products increased by 11.6%, driven by acquisition efforts made by the Bank.

Cards

As far as the development of payment cards is concerned, the Bank's primary focus was on a successive increase in the share of mBank card transactions in the total number of transactions on the market.

In Q4 2015, mBank's retail clients made card transactions worth nearly PLN 6.0 billion, which represents a rise by 5.5% quarter on quarter or 22.7% year on year. The average transaction amount declined as clients increasingly use cards also for small payments: in Q4 2015 the number of non-cash transactions increased by 4.2% quarter on quarter and 31.7% year on year.

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 by 57.6 thousand, whereas in Q4 2015 by a number of 11.1 thousand, compared to 33.8 thousand in Q3 2015.

In Q4 2015 in the Czech Republic and Slovakia mBank acquired 819.7 thousand clients on both markets (out of which 246.5 thousand clients were the clients in Slovakia, and 573.1 thousand clients were the clients on the Czech market).

The activity of mBank in the Czech Republic and Slovakia in Q4 2015 was focused on developing the offer of non-mortgage loans and building the position of best mobile bank.

In Q4 2015, mBank in the Czech Republic and Slovakia introduced three new credit cards to the offer i.e. Master Card. In Q4 2015, it supported cash loans sell by an advertising campaign.

mBank's mobile application was upgraded and adjusted for mobile devices using Windows phone software. Marketing campaign "Mobility icon" and promoting actions, which supported promotion of mobility in Q4, led the application to be installed at 165 thousand mobile devices.

Loans and deposits

In Q4 2015, the loan portfolio of mBank clients in the Czech Republic and Slovakia grew by PLN 282.4 million, i.e. 8.0% quarter on quarter. The portfolio of non-mortgage loans amounted to PLN 504.1 million with an increase of 6.7% quarter on quarter, while the mortgage loan portfolio stood at PLN 3,319.9 million as at the end of December 31, 2015, increasing quarterly by 8.2%.

The sales of non-mortgage loans increased quarter on quarter by 6.3% amounting to PLN 102.0 million.

The Bank also intensified its efforts aimed at increasing the sales of mortgage loans. The sales value of mortgage loans in Q4 2015 amounted to PLN 309.4 million, which means a quarter on quarter growth by 13,6%.

The deposit base increased by PLN 238.4 million or 3.9% quarter on quarter.

Corporates and Financial Markets

Corporate and Investment Banking

Summary of segment results

In Q4 2015, the Corporate and Investment Banking segment generated a profit before tax of PLN 147.7 million, which represents a decrease by PLN 4.8 million, i.e. 3.1% quarter on quarter.

PLN M	Q4 2014	Q3 2015	Q4 2015	QoQ change	YoY change
Net interest income	197.0	189.5	203.2	7.2%	3.1%
Net fee and commission income	98.3	88.6	104.2	17.6%	6.0%
Dividend income	1.0	14.2	0.0	-	-100.0%
Net trading income	48.1	53.8	54.3	0.9%	12.9%
Gains less losses from investment securities, investments in subsidiaries and associates	-0.2	-5.9	22.9	-	-
Net other operating income	6.9	8.1	6.6	-18.5%	-4.3%
Total income	351.1	348.3	391.2	12.3%	11.4%
Net impairment losses on loans and advances	-15.6	-24.6	-68.4	178.0%	338.5%
Overhead costs and amortisation	-171.6	-171.2	-175.1	2.3%	2.0%
Profit before tax of Corporate and Investment Banking	**163.9**	**152.5**	**147.7**	**-3.1%**	**-9.9%**

In Q4 2015, profit before tax of the Corporate and Investment Banking segment was predominantly driven by:

- **Increase in total income,** which amounted to PLN 391.2 million, compared with PLN 348.3 million in Q3 2015. Net interest income went up by PLN 13.7 million, i.e. 7.2%, while net fee and commission income was higher by 15.6 million. i.e. 17.6%.

- **Increase of overhead costs (including amortisation)** by PLN 3.9 million, i.e. 2.3% quarter on quarter to PLN 175.1 million, due to increased staff-related costs.

- **Increase of net impairment losses on loans and advances** by PLN 43.8 million, i.e. 178.0%, to PLN 68.4 million, resulting from an increase of net impairment losses on loans and advances in K2 and K3 clients segment due to additional provisions created on exposures for which provisions were created in the previous periods.

Activity of the Corporate and Investment Banking segment (Bank)

	31.12.2014	30.09.2015	31.12.2015	QoQ change	YoY change
Number of corporate clients	**17,787**	**19,086**	**19,562**	**2.5%**	**10.0%**
K1	1,838	1,931	1,983	**2.7%**	**7.9%**
K2	5,144	5,609	5,748	**2.5%**	**11.7%**
K3	10,805	11,546	11,831	**2.5%**	**9.5%**
PLN M					
Loans to corporate clients. including	**23,680.4**	**21,920.8**	**21,091.3**	**-3.8%**	**-10.9%**
K1*	6,378.9	6,329.4	6,162.6	**-2.6%**	**-3.4%**
K2	10,633.3	11,899.7	11,837.6	**-0.5%**	**11.3%**
K3	2,811.0	2,823.8	3,049.6	**8.0%**	**8.5%**
Reverse repo/buy sell back transactions	3,840.4	845.2	19.6	**-97.7%**	**-99.5%**
Other	16.9	22.6	22.0	**-3.1%**	**29.9%**
Deposits of corporate clients. including	**29,202.6**	**31,619.8**	**30,236.0**	**-4.4%**	**3.5%**
K1	12,111.3	15,589.1	14,019.2	**-10.1%**	**15.8%**
K2	9,455.2	9,582.8	11,259.6	**17.5%**	**19.1%**
K3	4,177.4	4,214.4	4,855.9	**15.2%**	**16.2%**
Repo transactions	3,395.3	2,181.0	33.3	**-98.5%**	**-99.0%**
Other	63.5	52.4	67.9	**29.6%**	**7.1%**
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.*

Q4 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 interchange fees, increased contributions to the Bank Guarantee Fund (BGF), and uncertainty about the size of the potential financial burden arising from the banking tax, CHF loans and additional contributions to the BGF as well as to the Borrowers Support Fund.

Economic conditions in Poland positively impacted the volume of corporate loans and deposits. Corporate loans market decreased slightly by 0.6% compared with the end of September 2015 and increased by 7.4% year on year, while corporate deposits market increased by 7.3% compared with the end of Q3 2015 and by 10.5% against the end of Q4 2015. Loans to enterprises decreased by 0.6% quarter on quarter and increased by 8.8% year on year. The growth rate of corporate deposits was at 4.0% and 23.8% respectively. At the end of Q4 2015 mBank shares in the market of deposits and loans for corporates reached 9.8% and 6.3% respectively.

In Q4 2015 the Bank intensified its sales efforts, which resulted in record-high acquisition of corporate clients – the corporate client base increased by 1,775 companies in comparison with the end of 2014.

The acquisition of new clients positively impacted on the value of funds deposited in current accounts, which at the end of December 2015 reached PLN 8,467 million (26.2% YoY). The 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.

In Q4 2015 the Bank continued to pursue its strategy of increasing its share in the sector of small and medium-sized enterprises (SME). The undertaken initiatives aimed at strengthening the Bank's position on the SME market translated into high acquisition of clients in this sector (client base in the K3 segment grew by 1,026 companies compared with the end of 2014).

The consolidation of Corporate and Investment Banking services which took place in 2014 translated into an increase in the Bank's activity on the market of corporate debt securities issue. At the end of November 2015, the Bank held an 11.9% share on the corporate bond market. Such market development was supported by the environment of low interest rates. Moreover, the activity of the segment was 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 21,072 million at the end of Q4 2015, which represents a decrease by 2.0% compared with the end of September 2015 (PLN 21,502 million) and an increase by 6.2% compared with the end of Q4 2014 (PLN 19,840 million).

The value of loans to enterprises (NBP category, enabling comparison with the banking sector results) at the end of December 2015 amounted to PLN 19,442 million and was by 0.6% lower than at the end of September 2015 (PLN 19,569 million) and by 8.8% higher than at the end of December 2014 (PLN 17,874 million). The share of mBank's lending to enterprises in the lending of the entire banking sector was at 6.3% at the end of December 2015, compared with 6.3% at the end of September 2015 and 6.2% at the end of December 2014. At the end of Q4 2015, the loan-to-deposit ratio for enterprises in the Bank stood at 75.9% and was significantly lower than the market ratio of 118.1%.

The value of loans granted to local governments at the end of December 2015 amounted to PLN 931 million compared with PLN 1,040 million at the end of September 2015 and PLN 1,324 million at the end of December 2014.

Corporate client deposits

The value of corporate client deposits gathered at mBank (excluding repo transactions) amounted to PLN 30,203 million at the end of Q4 2015, which represents an increase by 2.6% compared with the end of September 2015 (PLN 29,439 million) and by 17.0% compared with the end of Q4 2014 (PLN 25,807 million).

The value of mBank's current corporate deposits amounted to PLN 8,467 million at the end of Q4 2015, which represents an increase by 10.3% compared with the end of September 2015 (PLN 7,677 million) and an increase by 26.2% compared with the end of Q4 2014 (PLN 6,709 million).

The value of corporate client deposits (NBP category, enabling the comparison to banking sector results) at the end of December 2015 amounted to PLN 25,629 million and was 4.0% higher than at the end of September 2015 (PLN 24,644 million) and 23.8% higher than at the end of Q4 2014 (PLN 20,709 million). The share of mBank in deposits placed by enterprises reached 9.8% at the end of December 2015, compared with 10.1% at the end of September 2015 and 8.8% at the end of December 2014.

The value of deposits of local governments at the end of December 2015 amounted to PLN 192 million compared with PLN 819 million at the end of September 2015 and PLN 212 million at the end of December 2014.

De minimis guarantee

The Bank maintained its commitment to the government's "Supporting Entrepreneurship through BGK Sureties and Guarantees" program with allocated limit for guarantees at PLN 1,300 million, of which PLN 1,066.9 million was used as of September 30, 2015.

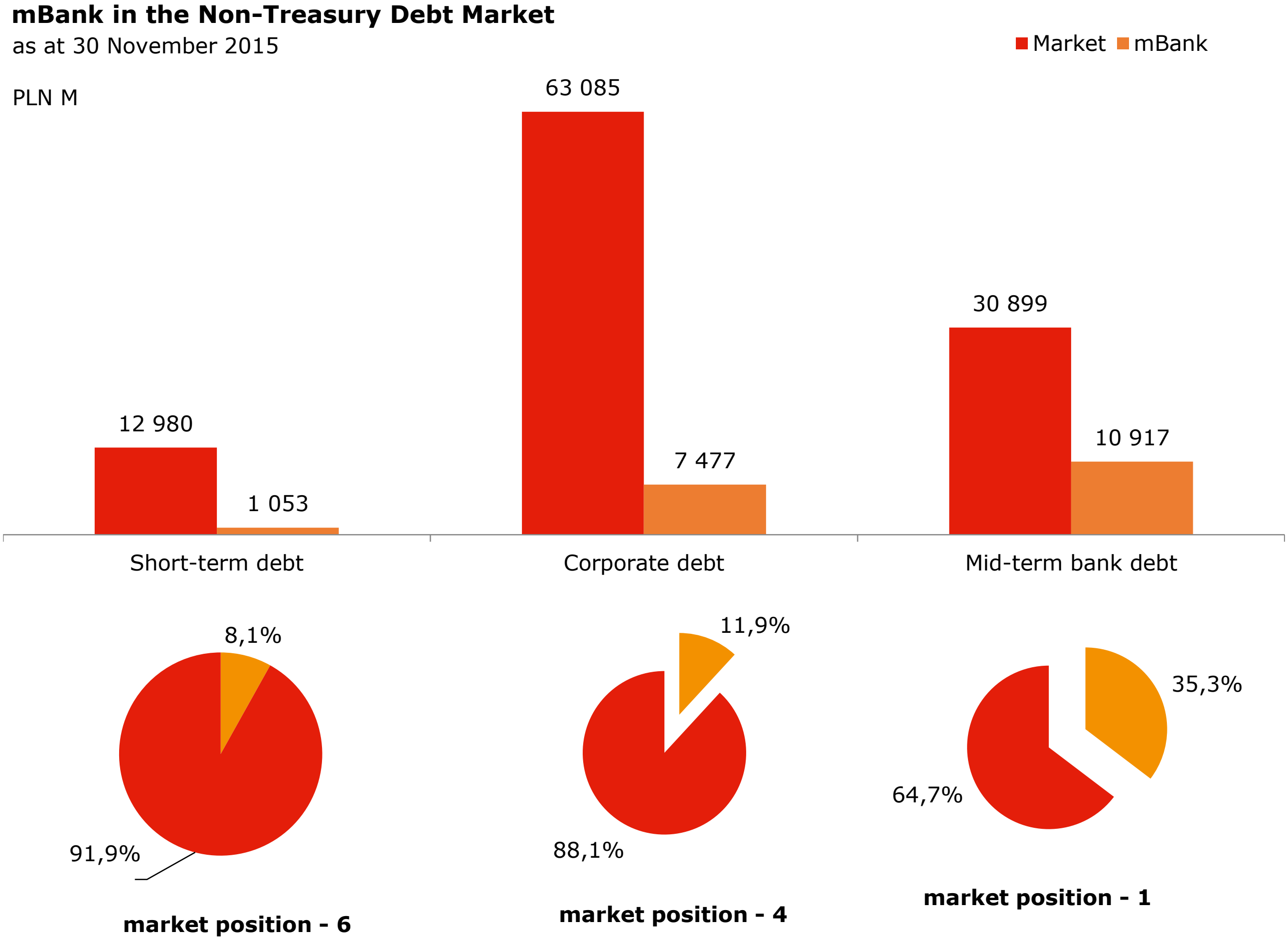
Structured finance, project finance, syndicated loans

As part of the Corporate and Investment Banking segment, the Structured Finance area offers the following types of financing: M&A finance, project finance, mezzanine finance and syndicated finance. In 2015, the Bank was a major market player and participated in 72 syndicated and bilateral products. mBank's total exposure under syndicated and bilateral products stood at PLN 4,300 million.

Issuing debt securities for corporate clients

In Q4 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 November 2015 is presented in the chart below.



The value of debt securities issued by banks but not kept on primary books (excluding „road" bonds issued by Bank Gospodarstwa Krajowego) arranged by mBank amounted to circa PLN 11.3 billion, compared to PLN 11.2 billion at the end of Q3 2015. The largest issue arranged by mBank in Q4 2015 was mBank Hipoteczny issue of covered bonds of PLN 255.0 million. Other relevant issues were issue of Eurobank securities of PLN 240.0 million and Bank Pocztowy securities of PLN 145.0 million.

The Bank was ranked fourth on the growing market of corporate bonds, with a market share of 11.9%. A number of new major issues were executed, i.e. for Echo Investments S.A. (PLN 230 million), Griffin S.A. (PLN 147 million), Amica S.A. (PLN 111 million), Kruk S.A. (PLN 100 million) and Robyg S.A. (PLN 60 million). The value of corporate bonds issued and unredeemed amounted to circa PLN 7.9 billion, compared to PLN 6.9 billion at the end of September 2015.

Development of transactional banking

Cash management is an area of Corporate Banking which offers state-of-the-art solutions to facilitate planning, monitoring and management of the most liquid assets, cash processing, as well as electronic banking. The solutions facilitate daily financial operations, enhance effective cash flow management, and optimise interest costs and income.

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

- the number of domestic transfers made by corporate clients in Q4 2015 increased by 10.1% year on year;
- the number of foreign transfers increased by 15.4% in Q4 2015 year on year; the number of SEPA (Single Euro Payments Area) transfers grew by 16.1% in the discussed period;
- the total number of corporate cards issued amounted to 951.8 thousand at the end of Q4 2015;
- as at the end of December 2015, 735.7 thousand cards were issued as Electronic Money Instrument;
- the number of mBank CompanyNet system users rose by 12.8% (compared with Q4 2014). Currently, there are 87.2 thousand active authorizations allowing the entitled employees of clients to cooperate with mBank.

Development of the Corporate Banking offer

- Offering a new functionality of **outgoing SWIFT MT101 messages** in MultiCash electronic banking system (active role of the Bank). The new service allows mBank to serve global corporate clients having their accounting and treasury centres in Poland, who need tools enabling them to manage their accounts held with domestic and foreign banks via a single electronic banking system offered by mBank.
- Bearing international clients in mind, mBank launched a solution enabling the shared clients of Commerzbank and mBank to directly access their mBank accounts via Commerzbank systems (thanks to the implementation of **EBICS communication protocols)**.
- **Open cash withdrawal in Poczta Polska (the Polish Post) branches** – a service enabling a person indicated by mBank's corporate client to withdraw cash in a Poczta Polska branch. At present, Poczta Polska operates approximately 9,000 branches.
- New functionality of **biometric identification** in corporate mobile system. A user logs to the system with **Touch ID**

Financial Markets

Summary of segment results

In Q4 2015, the Financial Markets segment generated a profit before tax of PLN 40.6 million, compared with PLN 37.8 million quarter on quarter.

PLN M	Q4 2014	Q3 2015	Q4 2015	QoQ change	YoY change
Net interest income	45.0	57.8	67.0	15.9%	48.9%
Net fee and commission income	-1.9	-0.2	-0.8	300.0%	-57.9%
Dividend income	0.0	0.0	0.0	-	-
Net trading income	-7.1	5.7	-6.3	-210.5%	-11.3%
Gains less losses from investment securities, investments in subsidiaries and associates	38.1	-3.5	5.5	-257.1%	-85.6%
Net other operating income	0.8	0.4	0.1	-75.0%	-87.5%
Total income	74.9	60.2	65.5	8.8%	-12.6%
Net impairment losses on loans and advances	-0.6	-0.6	0.4	-166.7%	-166.7%
Overhead costs and amortisation	-23.6	-21.8	-25.3	16.1%	7.2%
Profit before tax of Financial Markets	**50.7**	**37.8**	**40.6**	**7.4%**	**-19.9%**

The profit before tax of the Financial Markets segment in Q4 2015 was predominantly driven by:

- **Increase in total income** by PLN 5.3 million quarter on quarter to PLN 65.5 million. Net interest income increased by PLN 9.2 million, i.e. 15.9%, to PLN 67.0 million. Net trading income was negative and amounted to PLN -6.3 million, compared with a positive result reported in Q3 2015, which was caused by the loss resulting from the valuation of interest rate derivatives.

- **Growth in overhead costs (including amortisation)** to PLN 25.3 million, compared with PLN 21.8 million in Q3 2015.

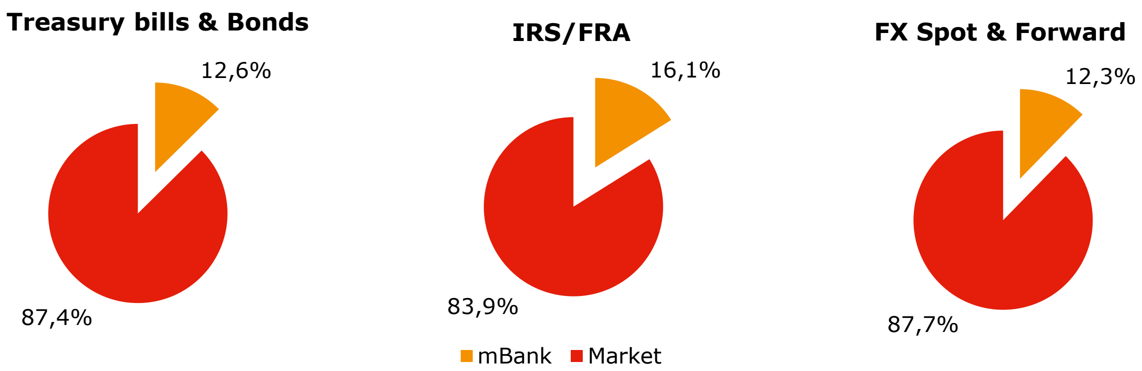
Activity of Financial Markets segment

Q4 in the Financial Markets segment was characterised by further increase in turnover. As regards currency transactions, the volumes grew by 1.2% QoQ and exceeded PLN 23 billion.

The turnover increase was accompanied by further growth in the number of clients actively concluding transactions. In Q4 the number of active clients grew by 5.5%, whereas the number of clients concluding derivative transactions grew by 3.1% compared with Q3.

In the area of commodity derivatives, Q4 brought about an increase in the number of active clients and dynamic growth of generated margins. The number of clients concluding commodity transactions grew by 15.8% compared with Q3.

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



Subsidiaries of mBank Group

<u>Summary of results of mBank Group's subsidiaries</u>

In Q4 2015, the consolidated profits before tax generated by mBank Group subsidiaries amounted to PLN 80.3 million, compared with PLN 86.0 million in the previous quarter.

In particular, the following subsidiaries improved their performance in comparison with Q3 2015: mBank Hipoteczny, mWealth Management and mFaktoring.

The table below presents the profit before tax of the subsidiaries in Q4 2015, compared with Q3 2015.

(PLN M)	Q3 2015	Q4 2015	QoQ change
mLeasing	17.5	11.9	-32.0%
mBank Hipoteczny	9.1	9.4	3.3%
mLocum	7.5	-0.7	+/-
mWealth Management	6.8	7.4	8.8%
mFaktoring	-19.8	-5.2	-73.7%
Dom Maklerski mBanku	6.5	5.8	-10.8%
Aspiro	60.1	55.5	27.6%
Other[1]	-1.7	-3.8	123.5%
Total	**86.0**	**80.3**	15.7%

[1] including the result of mCentrum Operacji, mFinance France, MLV 45, BDH Development, Garbary and Tele-Tech Investment (since Q3 2015).

Business activities of selected subsidiaries

Aspiro

Aspiro is an agent offering products including loans, deposits, insurance products, investment products and savings products for both individual customers and companies.

In view of mBank and mBank Hipoteczny price policy changes. Aspiro posted a 10% decerase of mortgage loans sale in comparison with Q3 2015 (PLN 656.3 million in Q3 compared to PLN 592.6 million in Q4). The change of price policy influenced negatively mortgage loans sale in mBank (decrease by 7% to PLN 276.5 million) and mBank Hipoteczny as well (decrease by 13% to the level of PLN 272.6 million).

In Q4 2015, the result generated in the area of car loan sales dedicated to car dealers was greater than the Q3 2015 result (PLN 64.7 million in Q4 compared to PLN 61.6 million in Q3). Moreover, the last quarter of 2015 was the best period for sale of a product introduced in 2015: car leasing.

In Q4 2015 Aspiro posted a profit before tax of PLN 55.5 million compared with PLN 60.1 million in Q3 2015. The lower growth tendency comes as a result of decreased sales of the main products, mortgage loans, influenced by the new policy introduced by mBank and mBank Hipoteczny.

m Leasing

mLeasing is Poland's second largest leasing provider by the value of movables and real estate receivables.

The value of contracts executed in Q4 2015 reached PLN 1,105.3 million, compared to PLN 792.2 million a quarter earlier (+40.0% QoQ).

The profit before tax of mLeasing in Q4 2015 was PLN 11.9 million, representing a decrease of 32.0% compared to the previous quarter. The decrease was mainly driven by lower fee and commission income and higher operating costs.

The value of movables owned by the company amounted to PLN 3,254.5 million as of the end of December 2015 with 6.7% market share, while real estate receivables amounted to PLN 530.6 million with 37.2% market share.

The "Leasing in Retail" project continued in Q4 2015 pursuant to the "One Bank" Strategy geared to developing a comprehensive offer for clients. The initiative is dedicated to enterpreneurs who can conclude a leasing agreement using special leasing processes.

mBank Hipoteczny

mBank Hipoteczny (mBH) is Poland's largest mortgage bank.

In Q4 2015, mBank Hipoteczny's gross loan portfolio totalled PLN 7.5 billion compared to PLN 7.3 billion at the end of Q3, i.e. +3.0%. This growth resulted from, in particular, systematic growth in the portfolio of new mortgage loans for retail clients of the Group – new sales in Q4 2015 amounted to PLN 433.7 million. Moreover, in pursuit of the Bank Group strategy in Q4 2015 mBank Hipoteczny acquired from mBank commercial loans worth PLN 62.5 million in loan pooling.

In Q4 2015, mBH reported a pre-tax profit of PLN 9.4 million, compared to PLN 9.1 million in the previous quarter. It was caused mainly by solid interest income arising from regular increase of the retail loan portfolio, which was partly offset by an increase in operational costs and adequate loan loss provisions.

In Q4 2015, mBH was pursuing the strategy of raising long-term funding through the issue of covered bonds carrying out a onefold issue of mortgage bonds worth PLN 255.0 million maturing in 2020.

As of December 31, 2015 the total value of new covered bonds issued by mBH and the outstanding covered bonds on the market amounted to PLN 3,927.2 million, while the value of public sector covered bonds stood at PLN 150.0 million.

The issuing activity of mBH in Q4 2015 is summarized in the table below.

Volume	Currency	Date of issue	Maturity	Tenor (in years)	Coupon
255.0 M	PLN	02.12.2015	20.09.2020	5.8	WIBOR 3M + 115pb

Dom Maklerski

Dom Maklerski mBanku (mDM) offers brokerage and capital market services for individuals and institutions as well as issues.

The market share of DM in equity trading on the WSE was 4.6%, which ensured the eigth position on the market. mDM had the second position in the market of futures with a market share of 14.3% and the fourth position in the market of options with a market share of 9.7%.

At the end of Q4 2015, the number of clients of Dom Maklerski mBanku stood at 299.0 thousand and decreased by 1.5 thousand compared to Q3 2015.

The company generated a profit before tax of PLN 5.8 million in Q3 2015, compared to PLN 6.5 million in Q3 2015 (-10.8% quarter on quarter), mainly due to the lower activity of clients on regulated markets as well as on the foreign exchange and contracts for difference markets.

Locum

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 30 apartments in Q4 2015 compared to 107 apartments a quarter earlier.

In Q4 2015, the company generated a pre-tax loss of PLN 0.7 million, compared to a profit before tax of PLN 7.5 million in Q3 2015 driven by decreased sales of apartments in Q4 2015.

Faktoring

mFaktoring is Poland's seventh largest factoring provider.

The number of contracts concluded by the company in Q4 2015 amounted to 10,412 compared to 7,505 in Q3 2015 (i.e. +38.8% quarter on quarter).

The company generated a loss before tax of PLN 5.2 million in Q4 2015, compared to a loss of PLN 19.8 million a quarter before. The negative result was caused due to provisions created on a previously defaulted exposure.

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

Condensed consolidated income statement

	Note	4th Quarter (current year) period from 01.10.2015 to 31.12.2015	4 Quarters (current year) period from 01.01.2015 to 31.12.2015	4th Quarter (previous year) period from 01.10.2014 to 31.12.2014	4 Quarters (previous year) period from 01.01.2014 to 31.12.2014
Interest income	5	960 303	3 660 505	992 730	3 956 254
Interest expense	5	(283 670)	(1 149 132)	(360 198)	(1 465 596)
Net interest income		**676 633**	**2 511 373**	**632 532**	**2 490 658**
Fee and commission income	6	382 029	1 433 927	337 382	1 399 601
Fee and commission expense	6	(144 629)	(536 751)	(137 017)	(497 911)
Net fee and commission income		**237 400**	**897 176**	**200 365**	**901 690**
Dividend income	7	6	17 540	986	19 992
Net trading income, including:	8	70 900	292 935	70 512	369 156
Foreign exchange result		*76 196*	*288 708*	*44 616*	*233 048*
Other net trading income and result on hedge accounting		*(5 296)*	*4 227*	*25 896*	*136 108*
Gains less losses from investment securities, investments in subsidiaries and associates, including:	9	127 430	314 408	34 495	51 926
Gains less losses from investment securities		*130 437*	*133 213*	*37 933*	*55 373*
Gains less losses from investments in subsidiaries and associates		*(3 007)*	*181 195*	*(3 438)*	*(3 447)*
The share in the profits (losses) of joint ventures		(69)	(141)	-	-
Other operating income	10	51 372	245 859	67 842	346 922
Net impairment losses on loans and advances	11	(102 629)	(421 222)	(112 639)	(515 903)
Overhead costs	12	(598 749)	(1 854 596)	(395 570)	(1 580 543)
Amortisation		(53 139)	(199 650)	(47 898)	(190 022)
Other operating expenses	13	(53 189)	(185 827)	(66 825)	(241 176)
Operating profit		**355 966**	**1 617 855**	**383 800**	**1 652 700**
Profit before income tax		**355 966**	**1 617 855**	**383 800**	**1 652 700**
Income tax expense	24	(46 605)	(313 727)	(75 298)	(363 390)
Net profit		**309 361**	**1 304 128**	**308 502**	**1 289 310**
Net profit attributable to:					
- Owners of mBank S.A.		309 486	1 301 246	308 617	1 286 668
- Non-controlling interests		(125)	2 882	(115)	2 642

Net profit attributable to Owners of mBank S.A.			**1 301 246**		**1 286 668**
Weighted average number of ordinary shares	14		**42 221 351**		**42 189 705**
Earnings per share (in PLN)	14		**30.82**		**30.50**
Weighted average number of ordinary shares for diluted earnings	14		**42 246 966**		**42 221 295**
Diluted earnings per share (in PLN)	14		**30.80**		**30.47**

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

Condensed consolidated statement of comprehensive income

	4th Quarter (current year) period from 01.10.2015 to 31.12.2015	4 Quarters (current year) period from 01.01.2015 to 31.12.2015	4th Quarter (previous year) period from 01.10.2014 to 31.12.2014	4 Quarters (previous year) period from 01.01.2014 to 31.12.2014
Net profit	**309 361**	**1 304 128**	**308 502**	**1 289 310**
Other comprehensive income net of tax, including:	**38 793**	**(116 717)**	**(17 900)**	**231 456**
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	381	(4 661)	75	245
Change in valuation of available for sale financial assets (net)	40 997	(107 267)	(20 215)	229 060
Cash flows hedges (net)	(993)	(3 197)	4 145	4 056
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	(1 592)	(1 592)	(1 905)	(1 905)
Total comprehensive income (net)	**348 154**	**1 187 411**	**290 602**	**1 520 766**
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	348 279	1 184 529	290 717	1 518 124
- Non-controlling interests	(125)	2 882	(115)	2 642

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

Condensed consolidated statement of financial position

ASSETS	Note	31.12.2015	30.09.2015	31.12.2014
Cash and balances with the Central Bank		5 938 133	4 630 886	3 054 549
Loans and advances to banks		1 897 334	2 793 756	3 751 415
Trading securities	15	557 541	2 561 125	1 163 944
Derivative financial instruments	16	3 349 328	3 737 662	4 865 517
Loans and advances to customers	18	78 433 546	79 407 211	74 582 350
Hedge accounting adjustments related to fair value of hedged items		130	192	461
Investment securities	19	30 736 949	30 026 139	27 678 614
Investments in joint ventures		7 359	928	-
Non-current assets held for sale		-	-	576 838
Intangible assets	20	519 049	477 160	465 626
Tangible assets	21	744 522	692 640	717 377
Current income tax assets		1 850	122	61 751
Deferred income tax assets	24	366 088	328 515	272 416
Other assets		971 192	1 093 807	794 964
Total assets		**123 523 021**	**125 750 143**	**117 985 822**

LIABILITIES AND EQUITY				
Liabilities				
Amounts due to the Central Bank		-	1	-
Amounts due to other banks		12 019 331	14 783 138	13 383 829
Derivative financial instruments	16	3 173 638	3 380 521	4 719 056
Amounts due to customers	22	81 140 866	78 545 901	72 422 479
Debt securities in issue		8 946 195	11 280 897	10 341 742
Hedge accounting adjustments related to fair value of hedged items		100 098	95 955	103 382
Liabilities held for sale		-	-	276 341
Other liabilities		1 764 091	1 774 468	1 349 654
Current income tax liabilities		50 126	14 369	1 969
Provisions for deferred income tax	24	981	997	9 785
Provisions	23	225 416	165 535	176 881
Subordinated liabilities		3 827 315	3 785 284	4 127 724
Total liabilities		**111 248 057**	**113 827 066**	**106 912 842**
Equity				
Equity attributable to Owners of mBank S.A.		**12 242 346**	**11 890 334**	**11 043 242**
Share capital:		**3 535 758**	**3 535 618**	**3 523 903**
- Registered share capital		168 956	168 954	168 840
- Share premium		3 366 802	3 366 664	3 355 063
Retained earnings:		**8 273 782**	**7 960 703**	**6 969 816**
- Profit from the previous years		6 972 536	6 968 943	5 683 148
- Profit for the current year		1 301 246	991 760	1 286 668
Other components of equity		**432 806**	**394 013**	**549 523**
Non-controlling interests		**32 618**	**32 743**	**29 738**
Total equity		**12 274 964**	**11 923 077**	**11 072 980**
Total liabilities and equity		**123 523 021**	**125 750 143**	**117 985 822**

Total capital ratio		**17.25**	**16.99**	**14.66**
Common Equity Tier 1 capital ratio		**14.29**	**14.09**	**12.24**
Book value		**12 242 346**	**11 890 334**	**11 043 242**
Number of shares		**42 238 924**	**42 238 537**	**42 210 057**
Book value per share (in PLN)		**289.84**	**281.50**	**261.63**

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

Condensed consolidated statement of changes in equity

Changes from 1 January to 31 December 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							**1 301 246**	**(4 661)**	**(107 267)**	**(3 197)**	**(1 592)**	**1 184 529**	**2 882**	**1 187 411**
Transfer to general banking risk reserve	-	-	-	-	53 500	(53 500)	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	435 764	-	-	(435 764)	-	-	-	-	-	-	-	-
Issue of shares	116	-	-	-	-	-	-	-	-	-	-	116	-	116
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Stock option program for employees	-	11 739	-	2 720	-	-	-	-	-	-	-	14 459	-	14 459
- value of services provided by the employees	-	-	-	*14 459*	-	-	-	-	-	-	-	*14 459*	-	*14 459*
- settlement of exercised options	-	*11 739*	-	*(11 739)*	-	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2015	**168 956**	**3 366 802**	**4 849 589**	**103 972**	**1 095 453**	**923 522**	**1 301 246**	**(6 426)**	**442 354**	**859**	**(3 981)**	**12 242 346**	**32 618**	**12 274 964**

Changes from 1 January to 30 September 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							**991 760**	**(5 042)**	**(148 264)**	**(2 204)**	**-**	**836 250**	**3 007**	**839 257**
Transfer to general banking risk reserve	-	-	-	-	53 500	(53 500)	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	435 764	-	-	(435 764)	-	-	-	-	-	-	-	-
Issue of shares	114	-	-	-	-	-	-	-	-	-	-	114	-	114
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Stock option program for employees	-	11 601	-	(873)	-	-	-	-	-	-	-	10 728	-	10 728
- value of services provided by the employees	-	-	-	*10 728*	-	-	-	-	-	-	-	*10 728*	-	*10 728*
- settlement of exercised options	-	*11 601*	-	*(11 601)*	-	-	-	-	-	-	-	-	-	-
Equity as at 30 September 2015	**168 954**	**3 366 664**	**4 849 589**	**100 379**	**1 095 453**	**923 522**	**991 760**	**(6 807)**	**401 357**	**1 852**	**(2 389)**	**11 890 334**	**32 743**	**11 923 077**

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

Changes from 1 January to 31 December 2014

	Share capital		Retained earnings					Other components of equity				Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits			
Equity as at 1 January 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 Condensed Consolidated Financial Statements for the fourth quarter of 2015 PLN (000's)

Condensed consolidated statement of cash flows

	Period from 01.01.2015 to 31.12.2015	Period from 01.01.2014 to 31.12.2014
A. Cash flows from operating activities	**7 045 636**	**481 916**
Profit before income tax	**1 617 855**	**1 652 700**
Adjustments:	***5 427 781***	***(1 170 784)***
Income taxes paid	(256 570)	(398 422)
Amortisation, including amortisation of fixed assets provided under operating lease	245 425	240 441
Foreign exchange (gains) losses related to financing activities	1 611 739	796 603
(Gains) losses on investing activities	(321 382)	(2 121)
Impairment of investments in subsidiaries	8 086	3 447
Dividends received	(17 540)	(19 992)
Interest income (income statement)	(3 660 505)	(3 956 254)
Interest expense (income statement)	1 149 132	1 465 596
Interest received	3 844 426	4 226 919
Interest paid	(1 121 141)	(1 259 024)
Changes in loans and advances to banks	1 473 815	(1 002 595)
Changes in trading securities	71 698	(72 578)
Changes in assets and liabilities on derivative financial instruments	(8 161)	(204 904)
Changes in loans and advances to customers	(3 863 810)	(6 406 450)
Changes in investment securities	(3 313 132)	(2 284 104)
Changes in other assets	(176 487)	(387 566)
Changes in amounts due to other banks	612 911	(2 846 865)
Changes in amounts due to customers	8 430 304	9 799 826
Changes in debt securities in issue	134 591	818 384
Changes in provisions	48 535	(51 347)
Changes in other liabilities	535 847	370 222
Net cash generated from/(used in) operating activities	**7 045 636**	**481 916**
B.Cash flows from investing activities	**291 202**	**(196 312)**
Investing activity inflows	**654 702**	**54 988**
Disposal of shares in subsidiaries, net of cash disposed	427 424	-
Disposal of intangible assets and tangible fixed assets	31 186	34 996
Dividends received	17 540	19 992
Other investing inflows	178 552	-
Investing activity outflows	**363 500**	**251 300**
Acquisition of shares in subsidiaries	2 997	-
Purchase of intangible assets and tangible fixed assets	342 942	251 300
Other investing outflows	17 561	-
Net cash generated from/(used in) investing activities	**291 202**	**(196 312)**
C. Cash flows from financing activities	**(5 320 487)**	**721 173**
Financing activity inflows	**2 136 724**	**6 027 185**
Proceeds from loans and advances from other banks	180 475	-
Proceeds from other loans and advances	415 420	1 050 075
Issue of debt securities	1 540 713	4 226 966
Increase of subordinated liabilities	-	750 000
Issue of ordinary shares	116	144
Financing activity outflows	**7 457 211**	**5 306 012**
Repayments of loans and advances from other banks	3 380 926	3 601 459
Repayments of other loans and advances	12 655	10 064
Redemption of debt securities	3 055 583	136 462
Decrease of subordinated liabilities	637 661	480 122
Payments of financial lease liabilities	509	439
Dividends and other payments to shareholders	-	716 984
Interest paid from loans and advances received from other banks, subordinated liabilities and long term issue	369 877	360 482
Net cash generated from/(used in) financing activities	**(5 320 487)**	**721 173**
Net increase / decrease in cash and cash equivalents (A+B+C)	**2 016 351**	**1 006 777**
Effects of exchange rate changes on cash and cash equivalents	(15 804)	19 088
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	**6 712 052**	**4 711 505**

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

mBank S.A. stand-alone financial information

Income statement

	Note	4th Quarter (current year) period from 01.10.2015 to 31.12.2015	4 Quarters (current year) period from 01.01.2015 to 31.12.2015	4th Quarter (previous year) period from 01.10.2014 to 31.12.2014	4 Quarters (previous year) period from 01.01.2014 to 31.12.2014
Interest income		850 233	3 274 494	907 642	3 634 827
Interest expense		(262 756)	(1 066 135)	(340 389)	(1 378 359)
Net interest income		**587 477**	**2 208 359**	**567 253**	**2 256 468**
Fee and commission income		288 107	1 091 508	282 855	1 176 602
Fee and commission expense		(129 470)	(468 653)	(116 219)	(431 378)
Net fee and commission income		**158 637**	**622 855**	**166 636**	**745 224**
Dividend income		62 625	197 872	178	43 872
Net trading income, including:		69 498	294 010	72 489	354 751
Foreign exchange result		*75 099*	*285 786*	*42 681*	*226 565*
Other net trading income and result on hedge accounting		*(5 601)*	*8 224*	*29 808*	*128 186*
Gains less losses from investment securities, investments in subsidiaries and associates, including:		123 389	277 323	22 522	16 530
Gains less losses from investment securities		*130 869*	*133 645*	*37 934*	*55 373*
Gains less losses from investments in subsidiaries and associates		*(7 480)*	*143 678*	*(15 412)*	*(38 843)*
Other operating income		17 522	56 381	12 641	73 525
Net impairment losses on loans and advances		(78 759)	(325 325)	(97 354)	(442 514)
Overhead costs		(526 628)	(1 575 645)	(321 308)	(1 303 347)
Amortisation		(46 196)	(171 888)	(40 947)	(162 623)
Other operating expenses		(22 718)	(60 696)	(39 128)	(103 317)
Operating profit		**344 847**	**1 523 246**	**342 982**	**1 478 569**
Profit before income tax		**344 847**	**1 523 246**	**342 982**	**1 478 569**
Income tax expense		(30 883)	(251 797)	(63 006)	(304 473)
Net profit		**313 964**	**1 271 449**	**279 976**	**1 174 096**

Net profit			**1 271 449**		**1 174 096**
Weighted average number of ordinary shares	14		**42 221 351**		**42 189 705**
Earnings per share (in PLN)	14		**30.11**		**27.83**
Weighted average number of ordinary shares for diluted earnings	14		**42 246 966**		**42 221 295**
Diluted earnings per share (in PLN)	14		**30.10**		**27.81**

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

mBank S.A. stand-alone financial information

Statement of comprehensive income

	4th Quarter (current year) period from 01.10.2015 to 31.12.2015	4 Quarters (current year) period from 01.01.2015 to 31.12.2015	4th Quarter (previous year) period from 01.10.2014 to 31.12.2014	4 Quarters (previous year) period from 01.01.2014 to 31.12.2014
Net profit	**313 964**	**1 271 449**	**279 976**	**1 174 096**
Other comprehensive income net of tax, including:	**31 409**	**(116 223)**	**(116 223)**	**226 494**
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	389	684	(484)	(462)
Change in valuation of available for sale financial assets (net)	33 531	(112 192)	(21 106)	224 713
Cash flow hedges (net)	(993)	(3 197)	4 145	4 056
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	(1 518)	(1 518)	(1 813)	(1 813)
Total comprehensive income net of tax, total	**345 373**	**1 155 226**	**260 718**	**1 400 590**

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

mBank S.A. stand-alone financial information

Statement of financial position

ASSETS	31.12.2015	30.09.2015	31.12.2014
Cash and balances with the Central Bank	5 930 611	4 625 504	3 046 817
Loans and advances to banks	4 981 321	5 573 849	5 648 047
Trading securities	558 590	2 677 184	1 251 064
Derivative financial instruments	3 350 746	3 757 229	4 874 882
Loans and advances to customers	71 284 102	72 625 277	69 529 868
Hedge accounting adjustments related to fair value of hedged items	130	192	461
Investment securities	29 982 642	29 570 532	27 246 034
Non-current assets held for sale	1 438 183	1 440 816	806 567
Investments in subsidiaries	-	-	31 063
Intangible assets	473 816	434 972	425 078
Tangible assets	484 867	439 445	468 822
Current income tax assets	-	-	60 211
Deferred income tax assets	31 279	9 339	15 144
Other assets	279 019	272 682	199 405
Total assets	**118 795 306**	**121 427 021**	**113 603 463**

LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the Central Bank	-	1	-
Amounts due to other banks	12 183 191	14 760 865	13 384 224
Derivative financial instruments	3 203 918	3 408 665	4 755 856
Amounts due to customers	85 924 151	85 794 168	79 312 266
Hedge accounting adjustments related to fair value of hedged items	78 568	74 920	77 619
Debt securities in issue	-	389 409	386 423
Other liabilities	1 363 428	1 440 482	1 112 805
Current income tax liabilities	44 190	11 670	-
Provisions for deferred income tax	82	82	82
Provisions	225 344	165 462	176 878
Subordinated liabilities	3 827 315	3 785 283	4 127 724
Total liabilities	**106 850 187**	**109 831 007**	**103 333 877**
Equity			
Share capital:	**3 535 758**	**3 535 618**	**3 523 903**
- Registered share capital	168 956	168 954	168 840
- Share premium	3 366 802	3 366 664	3 355 063
Retained earnings:	**7 976 884**	**7 659 328**	**6 196 983**
- Profit for the previous year	6 705 435	6 701 843	5 022 887
- Net profit for the current year	1 271 449	957 485	1 174 096
Other components of equity	**432 477**	**401 068**	**548 700**
Total equity	**11 945 119**	**11 596 014**	**10 269 586**
Total liabilities and equity	**118 795 306**	**121 427 021**	**113 603 463**

Total capital ratio	**20.18**	**20.07**	**16.95**
Common Equity Tier 1 capital ratio	**16.70**	**16.64**	**14.06**
Book value	**11 945 119**	**11 596 014**	**10 269 586**
Number of shares	**42 238 924**	**42 238 537**	**42 210 057**
Book value per share (in PLN)	**282.80**	**274.54**	**243.30**

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

mBank S.A. stand-alone financial information

Statement of changes in equity

Changes from 1 January to 31 December 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	Actuarial gains and losses relating to post-employment benefits	Actuarial gains (losses) on defined benefit pension plans	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							**1 271 449**	**684**	**(112 192)**	**(3 197)**	**(1 518)**	**1 155 226**
Transfer to general banking risk reserve	-	-	-	-	50 000	(50 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	406 523	-	-	(406 523)	-	-	-	-	-	-
Issue of shares	116	-	-	-	-	-	-	-	-	-	-	116
The settlement of transfer subsidiaries under the direct control of the Bank	-	-	-	-	-	505 732	-	-	-	-	-	505 732
Stock option program for employees	-	11 739	-	2 720	-	-	-	-	-	-	-	14 459
- value of services provided by the employees	-	-	-	*14 459*	-	-	-	-	-	-	-	*14 459*
- settlement of exercised options	-	*11 739*	-	*(11 739)*	-	-	-	-	-	-	-	-
Equity as at 31 December 2015	**168 956**	**3 366 802**	**4 384 011**	**32 976**	**1 065 143**	**1 223 305**	**1 271 449**	**(6 290)**	**441 758**	**859**	**(3 850)**	**11 945 119**

Changes from 1 January to 30 September 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	Actuarial gains and losses relating to post-employment benefits	Actuarial gains (losses) on defined benefit pension plans	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							**957 485**	**295**	**(145 723)**	**(2 204)**	**-**	**809 853**
Transfer to general banking risk reserve	-	-	-	-	50 000	(50 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	406 523	-	-	(406 523)	-	-	-	-	-	-
Issue of shares	114	-	-	-	-	-	-	-	-	-	-	114
Other changes	-	-	-	-	-	505 732	-	-	-	-	-	505 732
Stock option program for employees	-	11 601	-	(872)	-	-	-	-	-	-	-	10 729
- value of services provided by the employees	-	-	-	*10 729*	-	-	-	-	-	-	-	*10 729*
- settlement of exercised options	-	*11 601*	-	*(11 601)*	-	-	-	-	-	-	-	-
Equity as at 30 September 2015	**168 954**	**3 366 664**	**4 384 011**	**29 384**	**1 065 143**	**1 223 305**	**957 485**	**(6 679)**	**408 227**	**1 852**	**(2 332)**	**11 596 014**

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

Changes from 1 January to 31 December 2014

	Share capital		Retained earnings					Other components of equity				Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Actuarial gains and losses relating to post-employment benefits	Actuarial gains (losses) on defined benefit pension plans	
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 Condensed Consolidated Financial Statements for the fourth quarter of 2015 PLN (000's)

mBank S.A. stand-alone financial information

Statement of cash flows

	Period from 01.01.2015 to 31.12.2015	Period from 01.01.2014 to 31.12.2014
A. Cash flows from operating activities	**8 084 953**	**(36 218)**
Profit before income tax	**1 523 246**	**1 478 569**
Adjustments:	***6 561 707***	***(1 514 787)***
Income taxes paid	(108 825)	(328 395)
Amortisation	171 888	162 623
Foreign exchange (gains) losses related to financing activities	1 617 302	788 908
(Gains) losses on investing activities	(296 835)	(10 148)
Impairment of investments in subsidiaries	20 026	38 843
Dividends received	(197 872)	(43 872)
Interest income (income statement)	(3 274 494)	(3 634 827)
Interest expense (income statement)	1 066 135	1 378 359
Interest received	3 482 616	3 838 385
Interest paid	(1 011 989)	(1 285 037)
Changes in loans and advances to banks	291 758	(1 967 103)
Changes in trading securities	253 060	(17 014)
Changes in assets and liabilities on derivative financial instruments	60 237	(192 906)
Changes in loans and advances to customers	(1 748 095)	(5 737 336)
Changes in investment securities	(3 208 088)	(2 086 314)
Changes in other assets	(32 925)	47 623
Changes in amounts due to other banks	659 837	(2 834 973)
Changes in amounts due to customers	8 450 347	10 153 909
Changes in debt securities in issue	(1 423)	16 724
Changes in provisions	48 466	35 818
Changes in other liabilities	320 581	161 946
Net cash generated from/(used in) operating activities	**8 084 953**	**(36 218)**
B.Cash flows from investing activities	**347 388**	**(93 504)**
Investing activity inflows	**587 108**	**44 002**
Disposal of shares in subsidiaries, net of cash disposed	28 036	-
Disposal of intangible assets and tangible fixed assets	148	130
Dividends received	197 872	43 872
Other investing inflows	361 052	-
Investing activity outflows	**239 720**	**137 506**
Purchase of intangible assets and tangible fixed assets	229 659	137 506
Other investing outflows	10 061	-
Net cash generated from/(used in) investing activities	**347 388**	**(93 504)**
C. Cash flows from financing activities	**(6 281 212)**	**1 057 740**
Financing activity inflows	**596 011**	**6 153 889**
Proceeds from loans and advances from other banks	180 475	-
Proceeds from other loans and advances	415 420	1 050 075
Increase of subordinated liabilities	-	750 000
Issue of ordinary shares	116	144
Security deposit due to issue of Eurobonds	-	4 353 670
Financing activity outflows	**6 877 223**	**5 096 149**
Repayments of loans and advances from other banks	3 378 322	3 413 766
Repayments of other loans and advances	12 655	10 064
Redemption of debt securities	385 000	66 462
Acquisition of shares in subsidiaries - increase of involvement	144 168	118 767
Decrease of subordinated liabilities	637 661	480 122
Payments of financial lease liabilities	9 037	7 663
Dividends and other payments to shareholders	-	716 984
Repayments of security deposit due to issue of Eurobonds	2 113 650	-
Interest paid from loans and advances received from other banks, subordinated liabilities and long term issue	196 730	282 321
Net cash generated from/(used in) financing activities	**(6 281 212)**	**1 057 740**
Net increase / decrease in cash and cash equivalents (A+B+C)	**2 151 129**	**928 018**
Effects of exchange rate changes on cash and cash equivalents	(21 303)	26 696
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	**6 892 431**	**4 762 605**

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 December 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 December 2015 the headcount of mBank S.A. amounted to 5 152 FTEs (Full Time Equivalents) and of the Group to 6 541 FTEs (31 December 2014: Bank 4 895 FTEs, Group 6 318 FTEs).

As at 31 December 2015 the employment in mBank S.A. was 6 336 persons and in the Group 8 587 persons (31 December 2014: Bank 6 015 persons, Group 8 277 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)
- mBank Hipoteczny S.A., subsidiary (the corporate segment of the company's activity)
- mFaktoring S.A., subsidiary
- mLeasing Sp. z o.o., subsidiary (the corporate segment of the company's activity)
- Garbary Sp. z o.o., subsidiary
- Tele-Tech Investment Sp. z o.o., subsidiary

Financial Markets

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

Retail Banking Segment (including Private Banking)

- Aspiro S.A., subsidiary
- Dom Maklerski mBanku S.A., subsidiary (the retail segment of the company's activity)
- mBank Hipoteczny S.A., subsidiary (the retail segment of the company's activity)
- mLeasing Sp. z o.o., subsidiary (the retail segment of the company's activity)
- 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

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 12-month period ended 31 December 2015.

The presented condensed consolidated financial statements for the fourth 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.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and, therefore, the presented condensed consolidated financial statements for the fourth quarter of 2015 should be read in conjunction with the mBank S.A. Group Consolidated Financial Statements for the year ended 31 December 2014, which have been prepared in accordance with IFRSs adopted for application by the European Union, on 2 March 2015 approved by the Bank's Management Board. Accounting policies applied to the preparation of the condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statements for the year ended 31 December 2014, with the exception of the application of new or amended standards and interpretations binding for annual periods beginning on or after 1 January 2015 and described in Note 2.33.

The data presented in the mBank S.A. Group condensed consolidated financial statements for the year 2014 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 Bank continues as a going concern in the foreseeable future, i.e. in the period of at least 12 months following the reporting date.

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 4 February 2016.

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, the Group 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.

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

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.

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

Company	31.12.2015		31.12.2014	
	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
BDH Development Sp. z o.o.	100%	full	100%	full
Dom Maklerski mBanku S.A.	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full
mBank Hipoteczny S.A.	100%	full	100%	full
mCentrum Operacji Sp. z o.o.	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full
mWealth Management S.A.	100%	full	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full	-	-
mFinance France S.A.	99.998%	full	99.98%	full
mLocum S.A.	79.99%	full	79.99%	full
AWL I Sp. z o.o.	-	-	100%	full
BRE Agent Ubezpieczeniowy Sp. z o.o.	-	-	100%	full
BRE Ubezpieczenia Sp. z o.o.	-	-	100%	full
BRE Ubezpieczenia TUiR S.A.	-	-	100%	full
MLV 45 Sp. z o.o. spółka komandytowa	-	-	100%	full
Transfinance a.s.	-	-	100%	full

Starting with the financial statements for the third quarter of 2015, the Group has begun to consolidate the company Tele-Tech Investment Sp. z o.o., a subsidiary of mBank.

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.

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 insurance products as bundled with loans, in particular when insurance product was offered to the customer only with the loan, i.e. it was 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.

In connection with entry into force of Recommendation U concerning best practices in the area of bancassurance, starting from 31 March 2015 the Bank does not receive remuneration from the sale of insurance products which would have been treated as boundled with loans.

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.

<u>Loans and receivables</u>

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

<u>Financial assets held to maturity</u>

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

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

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

<u>Financial assets available for sale</u>

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

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

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

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

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

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

2.11. 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:

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

1. The number of days from which any exposure being the obligor's credit obligation becomes overdue is above 90 days and the overdue amount exceeds PLN 3 000.

2. The Bank has sold exposures with a significant economic loss related to the change of the debtor creditworthiness.
3. The Bank performed enforced restructuring of the exposure, which 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:
   a) reduction of financial obligations by remitting part of these obligations, or
   b) postponing the repayment of the substantial part of the principal, interest or (if it refers to) commission; provided that the lack of approval for restructuring would cause more than 90 calendar days delay in repayment of substantial part of the obligation.
4. Filing by the Bank, the parent or subsidiary entity of the Bank a bankruptcy motion against debtor or filing similar motion in respect of credit obligations of the debtor towards the Bank, the parent or subsidiary entity of the Bank.
5. Bankruptcy of debtor or acquiring by him a similar legal protection resulting in his evasion of or delay in repayment of credit obligations towards the Bank, the parent or subsidiary entity of the Bank.
6. Termination of part or whole credit agreement by the Bank and the beginning of restructuring/collection procedures.
7. Client's fraud.

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

a) governments and central banks,
b) banks,
c) corporations, including specialised lending,
d) local government units,
e) insurers,
f) 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 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 than 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 prospectively in accordance with the arrising need.

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. Depreciable fixed assets are tested for impairment always whenever events or changes in circumstances indicate that the carrying value may not be recoverable. 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.

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

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

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

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

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

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

2.25. 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 costs*" and in other interest expenses, respectively.

Equity-settled share-based payment transactions

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 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.

Other employee benefits

From September 2012, in mBank Hipoteczny has been functioning the incentive programme based on phantom shares of this bank which is considered as incentive programme according to IAS 19.

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 12 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, Interpretation 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 of the financial year, but has an impact on the level of this type of costs recognised in each quarter of the financial year.

  In accordance with the recommendation received by the Bank from the Polish Financial Supervision Authority (KNF) described under 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 (BFG) and income related to these costs will be recognised over time throughout the year 2015, the same way as in 2014.

- 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.

- Amendments to IAS 1, *Disclosure initiative*, published by the International Accounting Standards Board on 18 December 2014 approved by European Union on 18 December 2015 and 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 IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortization*, published by the International Accounting Standards Board on 12 May 2014, approved by European Union on 2 December 2015, 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, approved by European Union on 23 November 2015, 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.

- IFRS 11 (Amended), *Accounting for acquisitions of interests in joint operations*, published by the International Accounting Standards Board on 6 May 2014, approved by European Union on 24 November 2015, 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.

- Annual Improvements to IFRSs 2012-2014 Cycle, changing 4 standards, published by the International Accounting Standards Board on 25 September 2014, approved by European Union on 15 December 2015 and 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.

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 Group 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 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 2018.

  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 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, wherein the term has been initially postponed by the International Accounting Standards Board.

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 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.

- Amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses*, published by the International Accounting Standards Board on 19 January 2016, binding for annual periods beginning on or after 1 January 2017.

  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 IAS 7, *Disclosure Initiative*, published by the International Accounting Standards Board on 29 January 2016, binding for annual periods beginning on or after 1 January 2017.

  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 15, *Effective date of IFRS 15*, published by International Accounting Standards Board on 11 September 2015, binding for annuals periods starting on or after 1 January 2018.

  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 16, *Leases*, published by the International Accounting Standards Board on 13 January 2016, binding for annual periods starting on or after 1 January 2019.

  IFRS 16 introduces new principles for the recognition of leases. The main amendment is the elimination of the classification of leases as either operating leases or finance leases and instead, the introduction of a single lessee accounting model. Applying a single accounting model, a lessee is required to recognize lease assets and corresponding liability in the statement of financial position, except for leases with a term of less than 12 months and leases with underlying asset of low value. A lessee is also required to recognize depreciation costs of lease asset separately from interest costs on lease liabilities in the income statement.

  IFRS 16 substantially carries forward the lessor accounting approach. It means that lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  The Group is of the opinion that the application of a new standard will have an impact on the recognition, presentation, measurement and disclosure of lease assets and corresponding liability in the financial statements of the Group as lessee. The Group is of the opinion that the application of a new standard will have no significant impact on recognition of previous finance lease in the financial statements of the Group.

2.34. Comparative data

Data prepared as at 31 December 2014 as well as data presented in the statement of financial position prepared as at 30 September 2015 are totally comparable with data introduced in the current financial period so they were not adjusted with the exception of notes regarding business segments of the Group, which was described in detail under Note 4.

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 financial assets

The Group reviews its debt securities classified as available for sale financial assets 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. In 2015, this segment also includes the Group's result on sale of BRE Ubezpieczenia TUiR S.A.
- The Corporates and Financial Markets segment, which is divided into two sub-segments:
  - *Corporate and Investment Banking* sub-segment (business line), which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offer of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products are directly linked to the performance of certain underlying financial instruments such as foreign exchange options, interest rate options and stock options), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing, factoring and brokerage services. The Corporate and Investment Banking sub-segment includes the results of the following subsidiaries: mFaktoring S.A., Garbary Sp. z o.o., Tele-Tech Investment Sp. z o.o. as well as the results of corporate segments of mLeasing Sp. z o.o., Dom Maklerski mBanku S.A. and mBank Hipoteczny S.A. Moreover this segment includes the results of Transfinance a.s. until the date of sale of the company and results of MLV 45 Sp. z o.o. spółka komandytowa until the date of adopting a resolution of liquidation 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 December 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	**755 179**	**191 746**	**1 565 578**	**(1 130)**	**2 511 373**	**2 511 373**
- sales to external clients	749 959	607 685	1 151 618	2 111	2 511 373	
- sales to other segments	5 220	(415 939)	413 960	(3 241)	-	
Net fee and commission income	**376 722**	**(1 804)**	**507 286**	**14 972**	**897 176**	**897 176**
Dividend income	**14 226**	**139**	**77**	**3 098**	**17 540**	**17 540**
Trading income	**215 769**	**(17 419)**	**95 671**	**(1 086)**	**292 935**	**292 935**
Gains less losses from investment securities, investments in subsidiaries and associates	**19 138**	**5 802**	**194 032**	**95 436**	**314 408**	**314 408**
The share in the profits (losses) of joint ventures	**-**	**-**	**-**	**(141)**	**(141)**	**(141)**
Other operating income	**65 254**	**708**	**52 168**	**127 729**	**245 859**	**245 859**
Net impairment losses on loans and advances	**(177 783)**	**(754)**	**(224 262)**	**(18 423)**	**(421 222)**	**(421 222)**
Overhead costs	**(620 795)**	**(89 550)**	**(968 428)**	**(175 823)**	**(1 854 596)**	**(1 854 596)**
Amortisation	**(74 939)**	**(8 552)**	**(112 638)**	**(3 521)**	**(199 650)**	**(199 650)**
Other operating expenses	**(35 345)**	**(150)**	**(48 816)**	**(101 516)**	**(185 827)**	**(185 827)**
Operating profit	**537 426**	**80 166**	**1 060 668**	**(60 405)**	**1 617 855**	**1 617 855**
Gross profit of the segment	**537 426**	**80 166**	**1 060 668**	**(60 405)**	**1 617 855**	**1 617 855**
Income tax					(313 727)	(313 727)
Net profit attributable to Owners of mBank S.A.					1 301 246	1 301 246
Net profit attributable to non-controlling interests					2 882	2 882
Assets of the segment	**35 057 604**	**41 162 527**	**46 210 195**	**1 092 695**	**123 523 021**	**123 523 021**
Liabilities of the segment	**30 224 844**	**33 481 611**	**46 866 764**	**674 838**	**111 248 057**	**111 248 057**
Other items of the segment						
Expenditures incurred on fixed assets and intangible assets	157 002	8 922	185 493	4 427	355 844	

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	

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Geographical areas reporting on the activities of mBank S.A. Group for the period	from 1 January to 31 December 2015			from 1 January to 31 December 2014		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	2 383 730	127 643	**2 511 373**	2 369 399	121 259	**2 490 658**
Net fee and commission income	871 654	25 522	**897 176**	875 745	25 945	**901 690**
Dividend income	17 540	-	**17 540**	19 992	-	**19 992**
Trading income	288 215	4 720	**292 935**	363 388	5 768	**369 156**
Gains less losses from investment securities, investments in subsidiaries and associates	314 408	-	**314 408**	51 926	-	**51 926**
The share in the profits (losses) of joint ventures	(141)	-	(141)	-	-	-
Other operating income	242 745	3 114	**245 859**	345 279	1 643	**346 922**
Net impairment losses on loans and advances	(411 834)	(9 388)	**(421 222)**	(480 714)	(35 189)	**(515 903)**
Overhead costs	(1 750 584)	(104 012)	**(1 854 596)**	(1 473 145)	(107 398)	**(1 580 543)**
Amortisation	(195 794)	(3 856)	**(199 650)**	(185 911)	(4 111)	**(190 022)**
Other operating expenses	(182 917)	(2 910)	**(185 827)**	(238 129)	(3 047)	**(241 176)**
Operating profit	1 577 022	40 833	**1 617 855**	1 647 830	4 870	**1 652 700**
Gross profit of the segment	**1 577 022**	**40 833**	**1 617 855**	**1 647 830**	**4 870**	**1 652 700**
Income tax			(313 727)			(363 390)
Net profit attributable to Owners of mBank S.A.			1 301 246			1 286 668
Net profit attributable to non-controlling interests			2 882			2 642
Assets of the segment, including:	**119 572 565**	**3 950 456**	**123 523 021**	**114 548 848**	**3 436 974**	**117 985 822**
- tangible assets	1 253 137	10 434	1 263 571	1 171 783	11 220	1 183 003
- deferred income tax assets	366 088	-	366 088	266 382	6 034	272 416
Liabilities of the segment	**104 825 293**	**6 422 764**	**111 248 057**	**101 151 600**	**5 761 242**	**106 912 842**

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5. Net interest income

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 584 546	2 833 184
Investment securities	750 745	836 567
Cash and short-term placements	49 842	73 327
Trading debt securities	51 092	47 882
Interest income on derivatives classified into banking book	157 511	138 097
Interest income on derivatives concluded under the hedge accounting	46 618	18 429
Interest income on derivatives concluded under the cash flow hedge	14 140	1 400
Other	6 011	7 368
Total interest income	**3 660 505**	**3 956 254**
Interest expense		
Arising from amounts due to banks	(95 330)	(190 634)
Arising from amounts due to customers	(696 042)	(892 120)
Arising from issue of debt securities	(264 991)	(229 293)
Arising from subordinated liabilities	(78 966)	(77 254)
Other	(13 803)	(76 295)
Total interest expense	**(1 149 132)**	**(1 465 596)**

Interest income related to impaired financial assets amounted to PLN 109 715 thousand (31 December 2014: PLN 159 113 thousand).

6. Net fee and commission income

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Fee and commission income		
Payment cards-related fees	342 310	413 614
Credit-related fees and commissions	287 273	254 302
Commissions for agency service regarding sale of insurance products of external financial entities	149 760	116 675
Fees from brokerage activity and debt securities issue	122 970	119 537
Commissions from bank accounts	165 764	157 474
Commissions from money transfers	102 849	97 627
Commissions due to guarantees granted and trade finance commissions	48 977	46 581
Commissions for agency service regarding sale of other products of external financial entities	113 457	88 291
Commissions on trust and fiduciary activities	22 337	21 108
Fees from portfolio management services and other management-related fees	14 915	13 438
Fees from cash services	39 686	38 648
Other	23 629	32 306
Total fee and commission income	**1 433 927**	**1 399 601**

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Fee and commission expense		
Payment cards-related fees	(204 864)	(194 993)
Commissions paid to external entities for sale of the Bank's products	(98 449)	(78 001)
Commissions paid for agency service regarding sale of insurance products of external financial entities	(1 565)	(4 209)
Discharged brokerage fees	(31 644)	(29 915)
Cash services	(40 666)	(36 110)
Fees to NBP and KIR	(10 614)	(10 757)
Other discharged fees	(148 949)	(143 926)
Total fee and commission expense	**(536 751)**	**(497 911)**

7. Dividend income

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Trading securities	217	243
Securities available for sale	17 323	19 749
Total dividend income	**17 540**	**19 992**

8. Net trading income

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Foreign exchange result	**288 708**	**233 048**
Net exchange differences on translation	250 273	311 760
Net transaction gains/(losses)	38 435	(78 712)
Other net trading income and result on hedge accounting	**4 227**	**136 108**
Interest-bearing instruments	(8 599)	110 045
Equity instruments	1 457	(1 524)
Market risk instruments	3 559	(1 810)
Result on fair value hedge accounting, including:	11 417	29 059
- Net profit on hedged items	2 954	(108 241)
- Net profit on fair value hedging instruments	8 463	137 300
Ineffective portion of cash flow hedge	(3 607)	338
Total net trading income	**292 935**	**369 156**

"*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 "*Hedge accounting*"

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

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Sale/redemption of financial assets available for sale	133 413	55 373
Gains less losses related to sale of subsidiaries and associates	189 694	-
Impairment of available for sale equity securities	(200)	-
Impairment of investments in subsidiaries	(8 499)	(3 447)
Total gains less losses from investment securities and investments in subsidiaries and associates	**314 408**	**51 926**

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In 2015, the item "*Gains less losses related to sale of subsidiaries and associates*" includes mainly the profit on sale of BRE Ubezpieczenia TUiR S.A. shares in the amount of PLN 194 348 thousand, while the item *"Sale/redemption of financial assets available for sale"* includes mainly the profit on sale of PZU S.A. shares in the amount of PLN 124 994 thousand.

10. Other operating income

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	141 534	149 766
Income from insurance activity net	23 898	96 237
Income from services provided	22 175	24 009
Net income from operating lease	9 533	11 157
Income due to release of provisions for future commitments	8 057	5 081
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	4 254	2 233
Income from compensations, penalties and fines received	105	229
Other	36 303	58 210
Total other operating income	**245 859**	**346 922**

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.

In 2015, income from insurance activity include income realised by BRE TUiR S.A. in the first quarter of 2015 it means until the sale of the company BRE TUiR S.A. by mBank S.A. Group.

Net income from insurance activity comprises income from premiums, reinsurance and co-insurance activity, reduced by claims paid and costs of liquidation and adjusted by 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 four quarters of 2015 and the four quarters of 2014 is presented below.

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Income from premiums		
- Premiums attributable	65 764	234 851
- Change in provision for premiums	(17 358)	(39 899)
Premiums earned	**48 406**	**194 952**
Reinsurer's shares		
- Gross premiums written	(16 307)	(66 607)
- Change in unearned premiums reserve	(66)	(2 416)
Reinsurer's share in premiums earned	**(16 373)**	**(69 023)**
Net premiums earned	**32 033**	**125 929**
Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(14 809)	(63 099)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(7 996)	(19 902)
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	11 047	46 141
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	4 396	10 212
Claims and benefits net	**(7 362)**	**(26 648)**
- Other costs net of reinsurance	(746)	(3 183)
- Other operating income	5	440
- Costs of expertise and certificates concerning underwriting risk	(32)	(301)
Total net income from insurance activity	**23 898**	**96 237**

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Net income from operating lease for the four quarters of 2015 and the four quarters of 2014 is presented below.

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Net income from operating lease, including:		
- Income from operating lease	55 308	61 576
- Depreciation cost of fixed assets provided under operating lease	(45 775)	(50 419)
Total net income from operating lease	**9 533**	**11 157**

11. Net impairment losses on loans and advances

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Net impairment losses on amounts due from other banks	(212)	(1 114)
Net impairment losses on loans and advances to customers	(425 082)	(521 444)
Net impairment losses on off-balance sheet contingent liabilities due to customers	4 072	6 655
Total net impairment losses on loans and advances	**(421 222)**	**(515 903)**

12. Overhead costs

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Staff-related expenses	(854 814)	(844 131)
Material costs, including:	(632 722)	(627 613)
- logistics cost	(331 443)	(330 228)
- IT costs	(120 524)	(109 267)
- marketing costs	(117 168)	(126 232)
- consulting costs	(54 173)	(54 522)
- other material costs	(9 414)	(7 364)
Taxes and fees	(29 473)	(29 811)
Contributions and transfers to the Bank Guarantee Fund	(278 155)	(70 790)
Contributions to the Borrowers Support Fund	(52 077)	-
Contributions to the Social Benefits Fund	(7 355)	(6 993)
Other	-	(1 205)
Total overhead costs	**(1 854 596)**	**(1 580 543)**

The increase of costs in the item "*Contribution and transfers to the Bank Guarantee Fund*" has been caused by mBank and mBank Hipoteczny being obliged to contribute in the amount of PLN 141 716 thousand via the BFG fund in the bail-out of Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie (the Co-operative Crafts and Agriculture Bank in Wołomin) depositors, as well as an increase of rates of fees payable to the BFG in 2015 compared to 2014.

Staff-related expenses for four quarters of 2015 and four quarters of 2014 are presented below.

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Wages and salaries	(692 750)	(682 454)
Social security expenses	(107 509)	(102 000)
Employee contributions related to post-employment benefits	(522)	(616)
Remuneration concerning share-based payments, including:	(19 696)	(24 814)
- share-based payments settled in mBank S.A. shares	(14 459)	(14 251)
- cash-settled share-based payments	(5 237)	(10 563)
Other staff expenses	(34 337)	(34 247)
Staff-related expenses, total	**(854 814)**	**(844 131)**

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13. Other operating expenses

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(106 882)	(115 713)
Provisions for future commitments	(19 216)	(57 958)
Donations made	(2 628)	(2 669)
Compensation, penalties and fines paid	(2 470)	(1 869)
Costs arising from provisions created for other receivables (excluding loans and advances)	(2 782)	(7 396)
Costs of sale of services	(1 685)	(1 438)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(244)	(3 584)
Impairment provisions created for tangible fixed assets and intangible assets	(2 013)	(8 090)
Other operating costs	(47 907)	(42 459)
Total other operating expenses	**(185 827)**	**(241 176)**

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

Costs of services provided concern non-banking services.

14. Earnings per share

Earnings per share for 12 months – mBank S.A. Group consolidated data

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Basic:		
Net profit attributable to Owners of mBank S.A.	1 301 246	1 286 668
Weighted average number of ordinary shares	42 221 351	42 189 705
Net basic profit per share (in PLN per share)	**30.82**	**30.50**
Diluted:		
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share	1 301 246	1 286 668
Weighted average number of ordinary shares	42 221 351	42 189 705
Adjustments for:		
- share options	25 809	31 590
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 247 160	42 221 295
Diluted earnings per share (in PLN per share)	**30.80**	**30.47**

Earnings per share for 12 months – mBank S.A. stand-alone data

the period	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Basic:		
Net profit	1 271 449	1 174 096
Weighted average number of ordinary shares	42 221 351	42 189 705
Net basic profit per share (in PLN per share)	**30.11**	**27.83**
Diluted:		
Net profit applied for calculation of diluted earnings per share	1 271 449	1 174 096
Weighted average number of ordinary shares	42 221 351	42 189 705
Adjustments for:		
- share options	25 809	31 590
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 247 160	42 221 295
Diluted earnings per share (in PLN per share)	**30.10**	**27.81**

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15. Trading securities

	31.12.2015			30.09.2015			31.12.2014		
	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:	**533 998**	**16 697**	**550 695**	**1 160 558**	**1 385 718**	**2 546 276**	**547 962**	**598 035**	**1 145 997**
Issued by government	161 795	16 697	178 492	721 087	1 385 718	2 106 805	19 871	598 035	617 906
- government bonds	161 795	16 697	178 492	721 087	1 385 718	2 106 805	19 871	598 035	617 906
Other debt securities	372 203	-	372 203	439 471	-	439 471	528 091	-	528 091
- bank's bonds	248 156	-	248 156	312 049	-	312 049	473 097	-	473 097
- deposit certificates	73 124	-	73 124	46 921	-	46 921	-	-	-
- corporate bonds	50 923	-	50 923	80 501	-	80 501	54 994	-	54 994
Equity securities:	**6 846**	**-**	**6 846**	**14 849**	**-**	**14 849**	**17 947**	**-**	**17 947**
- listed	4 192	-	4 192	12 229	-	12 229	10 431	-	10 431
- unlisted	2 654	-	2 654	2 620	-	2 620	7 516	-	7 516
Total debt and equity securities:	**540 844**	**16 697**	**557 541**	**1 175 407**	**1 385 718**	**2 561 125**	**565 909**	**598 035**	**1 163 944**

16. Derivative financial instruments

	31.12.2015		30.09.2015		31.12.2014	
	assets	liabilities	assets	liabilities	assets	liabilities
Held for trading derivative financial instruments classified into banking book	199 861	114 081	293 553	165 034	93 811	165 367
Held for trading derivative financial instruments classified into trading book	2 952 012	3 057 543	3 177 925	3 213 137	4 617 313	4 549 407
Derivative financial instruments held for fair value hedging	146 694	2 014	218 904	2 350	102 226	3 592
Derivative financial instruments held for cash flow hedging	50 761	-	47 280	-	52 167	690
Total derivative financial instruments assets/liabilities	**3 349 328**	**3 173 638**	**3 737 662**	**3 380 521**	**4 865 517**	**4 719 056**

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.

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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;
- Mortgage 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.

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 January 2016 to August 2018 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 recognised in the income statement

	31.12.2015	31.12.2014
Interest income on derivatives concluded under the fair value hedge (Note 5)	46 618	18 429
Net profit on hedged items (Note 8)	2 954	(108 241)
Net profit on fair value hedging instruments (Note 8)	8 463	137 300
Total result on fair value hedging instruments recognised in the income statement	**58 035**	**47 488**

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

	31.12.2015	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)	6 585	6 746
Amount included as interest income in the income statement during the reporting period	14 140	1 400
Ineffective portion of cash flow hedge recognised in the income statement	(3 607)	338
Accumulated other comprehensive income at the end of the reporting period (gross)	1 060	5 008
Deferred tax due to accumulated other comprehensive income at the end of the reporting period	(201)	(952)
Accumulated net other comprehensive income at the end of the reporting period	859	4 056
Impact on other comprehensive income in the reporting period (gross)	(3 948)	5 008
Deferred tax on cash flow hedges	751	(952)
Impact on other comprehensive income in the reporting period (net)	(3 197)	4 056

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

	31.12.2015	31.12.2014
Interest income on derivatives concluded under the cash flow hedge (Note 5)	14 140	1 400
Ineffective portion of cash flow hedge (Note 8)	(3 607)	338
Total result on cash flow hedging instruments recognised in the income statement	**10 533**	**1 738**

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18. Loans and advances to customers

	31.12.2015	30.09.2015	31.12.2014
Loans and advances to individuals:	**46 258 683**	**45 381 447**	**41 560 477**
- current receivables	5 897 129	5 922 211	5 442 653
- term loans, including:	40 361 554	39 459 236	36 117 824
housing and mortgage loans	34 184 208	33 361 007	30 510 513
Loans and advances to corporate entities:	**33 446 644**	**34 959 482**	**32 841 046**
- current receivables	3 976 187	4 437 598	3 701 490
- term loans:	26 870 386	26 442 684	23 977 679
corporate & institutional enterprises	5 719 282	5 617 195	5 751 583
medium & small enterprises	21 151 104	20 825 489	18 226 096
- reverse repo / buy-sell-back transactions	1 031 029	2 654 156	3 838 553
- other	1 569 042	1 425 044	1 323 324
Loans and advances to public sector	**1 520 728**	**1 631 140**	**1 924 395**
Other receivables	**183 355**	**476 991**	**1 047 273**
Total (gross) loans and advances to customers	**81 409 410**	**82 449 060**	**77 373 191**
Provisions for loans and advances to customers (negative amount)	(2 975 864)	(3 041 849)	(2 790 841)
Total (net) loans and advances to customers	**78 433 546**	**79 407 211**	**74 582 350**
Short-term (up to 1 year)	26 170 775	24 170 807	26 964 700
Long-term (over 1 year)	52 262 771	55 236 404	47 617 650

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 December 2015 – PLN 4 846 128 thousand, 30 September 2015 – PLN 4 847 611 thousand, 31 December 2014 – PLN 4 472 041 thousand.

Provisions for loans and advances

	31.12.2015	30.09.2015	31.12.2014
Incurred but not identified losses			
Gross balance sheet exposure	76 777 938	77 592 003	72 458 578
Impairment provisions for exposures analysed according to portfolio approach	(247 198)	(266 606)	(242 401)
Net balance sheet exposure	**76 530 740**	**77 325 397**	**72 216 177**
Receivables with impairment			
Gross balance sheet exposure	4 631 472	4 857 057	4 914 613
Provisions for receivables with impairment	(2 728 666)	(2 775 243)	(2 548 440)
Net balance sheet exposure	**1 902 806**	**2 081 814**	**2 366 173**

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

1. Earlier recognition of impaired status that gave larger amount of impaired portfolio,
2. Higher recovery out of such defined impairment due to higher natural cure rate for clients preventatively assessed as none 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)	%
		31.12.2015		30.09.2015		31.12.2014	
1.	Household customers	46 258 683	56.82	45 381 447	55.04	41 560 477	53.71
2.	Real estate management	4 975 227	6.11	4 916 356	5.96	4 901 307	6.33
3.	Construction	3 743 369	4.60	3 919 862	4.75	2 884 365	3.73
4.	Wholesale trade	3 141 017	3.86	3 306 427	4.01	2 977 441	3.85
5.	Retail trade	2 244 062	2.76	2 227 188	2.70	2 430 956	3.14
6.	Food sector	1 899 778	2.33	1 988 400	2.41	1 705 944	2.20
7.	Transport and logistics	1 858 064	2.28	1 803 534	2.19	1 819 827	2.35
8.	Fuels and chemicals	1 789 636	2.20	1 786 489	2.17	1 628 617	2.10
9.	Forestry	1 552 832	1.91	1 409 112	1.71	1 286 566	1.66
10.	Power, power and heating distribution	1 472 862	1.81	1 249 201	1.52	1 422 625	1.84
11.	Metals	1 395 689	1.71	1 437 346	1.74	1 266 991	1.64
12.	Public administration	1 161 955	1.43	1 263 001	1.53	1 574 513	2.04
13.	Information and communication	1 032 953	1.27	1 161 083	1.41	1 197 133	1.55
14.	Financial activities	934 170	1.15	886 020	1.07	427 299	0.55
15.	Scientific and technical activities	734 330	0.90	690 284	0.84	586 923	0.76
16.	Hotels and restaurants	645 710	0.79	639 395	0.78	455 059	0.59
17.	Services	538 987	0.66	527 280	0.64	453 169	0.59
18.	Electronics and household equipment	517 183	0.64	420 400	0.51	408 000	0.53
19.	Mining	498 312	0.61	479 192	0.58	366 181	0.47
20.	Motorization	489 478	0.60	494 074	0.60	452 873	0.59
21.	Arts, entertainment	448 834	0.55	401 517	0.49	439 693	0.57
22.	Industry	438 525	0.54	458 315	0.56	307 850	0.40
23.	Municipal services	369 308	0.45	372 561	0.45	299 883	0.39

As at 31 December 2015, the total exposure of the Group in the above sectors (excluding household customers) amounted to 39.16% of the credit portfolio (30 September 2015 – 38.62%, 31 December 2014 – 37.87%).

19. Investment securities

	31.12.2015			30.09.2015			31.12.2014		
	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	**25 141 089**	**5 396 481**	**30 537 570**	**23 807 584**	**6 002 495**	**29 810 079**	**22 270 938**	**5 146 060**	**27 416 998**
Issued by government	16 842 144	5 396 481	22 238 625	17 785 528	6 002 495	23 788 023	17 440 062	5 146 060	22 586 122
- government bonds	16 842 144	5 396 481	22 238 625	17 785 528	6 002 495	23 788 023	17 440 062	5 146 060	22 586 122
Issued by central bank	7 442 384	-	7 442 384	5 438 547	-	5 438 547	4 479 540	-	4 479 540
Other debt securities	856 561	-	856 561	583 509	-	583 509	351 336	-	351 336
- bank's bonds	233 158	-	233 158	94 671	-	94 671	24 907	-	24 907
- corporate bonds	583 456	-	583 456	449 419	-	449 419	284 854	-	284 854
- communal bonds	39 947	-	39 947	39 419	-	39 419	41 575	-	41 575
Equity securities:	**199 379**	**-**	**199 379**	**216 060**	**-**	**216 060**	**261 616**	**-**	**261 616**
Listed	-	-	-	184 394	-	184 394	229 961	-	229 961
Unlisted	199 379	-	199 379	31 666	-	31 666	31 655	-	31 655
Total debt and equity securities:	**25 340 468**	**5 396 481**	**30 736 949**	**24 023 644**	**6 002 495**	**30 026 139**	**22 532 554**	**5 146 060**	**27 678 614**
Short-term (up to 1 year)	11 196 381	90 975	11 287 356	9 420 887	20 808	9 441 695	9 034 438	-	9 034 438
Long-term (over 1 year)	14 144 087	5 305 506	19 449 593	14 602 757	5 981 687	20 584 444	13 498 116	5 146 060	18 644 176

The above note includes government bonds pledged under the Bank Guarantee Fund (BFG), 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 customer.

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The value of equity securities presented above includes provisions for impairment of PLN 19 754 thousand (30 September 2015: PLN 17 519 thousand, 31 December 2014: PLN 12 007 thousand).

As at 31 December 2015, equity securities include fair value of shares of Visa Europe Ltd in the amount of PLN 167 243 thousand.

As at 30 September 2015 and as at 31 December 2014, listed equity securities include fair value of PZU S.A. shares in the amount of PLN 184 394 thousand and PLN 229 961 thousand respectively. As at 31 December 2015, the Group did not have any PZU shares.

20. Intangible assets

	31.12.2015	30.09.2015	31.12.2014
Development costs	-	1	1
Goodwill	3 532	3 532	3 532
Patents, licences and similar assets, including:	347 357	342 194	361 214
- computer software	249 964	242 935	269 674
Other intangible assets	5 154	5 435	6 278
Intangible assets under development	163 006	125 998	94 601
Total intangible assets	**519 049**	**477 160**	**465 626**

21. Tangible assets

	31.12.2015	30.09.2015	31.12.2014
Tangible assets, including:	660 017	659 246	644 774
- land	1 335	1 335	1 335
- buildings and structures	193 652	196 589	202 454
- equipment	149 573	148 494	116 923
- vehicles	231 210	226 433	225 322
- other fixed assets	84 247	86 395	98 740
Fixed assets under construction	84 505	33 394	72 603
Total tangible assets	**744 522**	**692 640**	**717 377**

22. Amounts due to customers

	31.12.2015	30.09.2015	31.12.2014
Individual customers:	**46 117 051**	**42 457 713**	**39 284 776**
Current accounts	32 468 053	31 007 294	27 974 843
Term deposits	13 604 623	11 109 349	11 202 722
Other liabilities:	44 375	341 070	107 211
- liabilities in respect of cash collaterals	22 205	22 181	19 357
- other	22 170	318 889	87 854
Corporate customers:	**34 423 929**	**34 922 165**	**32 237 087**
Current accounts	16 800 113	15 705 599	13 516 365
Term deposits	12 209 975	11 958 379	11 128 087
Loans and advances received	3 634 064	3 613 919	3 218 105
Repo transactions	1 093 712	3 089 047	3 738 058
Other liabilities:	686 065	555 221	636 472
- liabilities in respect of cash collaterals	566 645	455 562	492 975
- other	119 420	99 659	143 497
Public sector customers:	**599 886**	**1 166 023**	**900 616**
Current accounts	468 038	373 562	627 765
Term deposits	131 104	791 147	250 263
Repo transactions	-	-	12 951
Other liabilities:	744	1 314	9 637
- liabilities in respect of cash collaterals	-	-	125
- other	744	1 314	9 512
Total amounts due to customers	**81 140 866**	**78 545 901**	**72 422 479**
Short-term (up to 1 year)	75 605 943	73 052 135	67 174 957
Long-term (over 1 year)	5 534 923	5 493 766	5 247 522

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

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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 December 2015: PLN 4 111 261 thousand, 30 September 2015: PLN 3 513 033 thousand, 31 December 2014: PLN 3 258 296 thousand).

23. Provisions

	31.12.2015	30.09.2015	31.12.2014
For off-balance sheet granted contingent liabilities *	45 606	39 197	49 613
For legal proceedings	99 582	97 770	96 933
Other	80 228	28 568	30 335
Total provisions	**225 416**	**165 535**	**176 881**

* includes valuation of financial guarantees

The item "*Other*" includes provisions in the amount of PLN 52 077 thousand relating to the payments to be made by mBank and mBank Hipoteczny to the Borrowers Support Fund which were described under item 4 of Selected explanatory information.

As at 31 December 2014 technical-insurance provisions were presented as liabilities held for sale.

Movements in the provisions

	31.12.2015	30.09.2015	31.12.2014
As at the beginning of the period (by type)	**176 881**	**176 881**	**228 228**
For off-balance sheet granted contingent liabilities	49 613	49 613	56 068
For legal proceedings	96 933	96 933	56 275
Technical-insurance provisions	-	-	87 168
Other	30 335	30 335	28 717
Change in the period (due to)	**48 535**	**(11 346)**	**(51 347)**
- increase of provisions	215 357	111 554	254 601
- release of provisions	(150 761)	(114 826)	(151 067)
- write-offs	(16 167)	(8 121)	(19 548)
- reclassification	37	37	(135 555)
- foreign exchange differences	69	10	222
As at the end of the period (by type)	**225 416**	**165 535**	**176 881**
For off-balance sheet granted contingent liabilities	45 606	39 197	49 613
For legal proceedings	99 582	97 770	96 933
Other	80 228	28 568	30 335

24. Assets and provisions for deferred income tax

Deferred income tax assets	31.12.2015	30.09.2015	31.12.2014
As at the beginning of the period	**645 554**	**645 554**	**614 352**
Changes recognized in the income statement	112 886	12 765	34 892
Changes recognized in other comprehensive income	4 623	43 897	443
Other changes	15 189	-	(4 133)
As at the end of the period	**778 252**	**702 216**	**645 554**

Provisions for deferred income tax	31.12.2015	30.09.2015	31.12.2014
As at the beginning of the period	**(382 923)**	**(382 923)**	**(246 485)**
Changes recognized in the income statement	(17 887)	7 897	(73 566)
Changes recognized in other comprehensive income	524	216	(65 440)
Other changes	(12 859)	112	2 568
As at the end of the period	**(413 145)**	**(374 698)**	**(382 923)**

Income tax	31.12.2015	30.09.2015	31.12.2014
Current income tax	(408 726)	(287 784)	(324 716)
Deferred income tax recognised in the income statement	94 999	20 662	(38 674)
Income tax recognised in the income statement	**(313 727)**	**(267 122)**	**(363 390)**
Recognised in other comprehensive income	47 706	81 695	(92 619)
Total income tax	**(266 021)**	**(185 427)**	**(456 009)**

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25. 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:

- 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.

	31.12.2015		30.09.2015		31.12.2014	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Loans and advances to banks	**1 897 334**	**1 895 673**	**2 793 756**	**2 791 307**	**3 751 415**	**3 748 671**
Loans and advances to customers	**78 433 546**	**78 962 651**	**79 407 211**	**79 524 258**	**74 582 350**	**75 070 826**
Loans and advances to individuals	**44 726 115**	**45 635 280**	**43 762 494**	**44 278 323**	**40 080 064**	**40 874 882**
current accounts	5 213 957	5 283 678	5 271 770	5 302 551	4 848 799	4 927 627
term loans including:	39 512 158	40 351 602	38 490 724	38 975 772	35 231 265	35 947 255
- housing and mortgage loans	33 692 813	34 412 846	32 756 298	33 145 474	29 969 161	30 553 308
Loans and advances to corporate entities	**32 004 458**	**31 635 677**	**33 545 357**	**33 159 320**	**31 531 987**	**31 236 748**
current accounts	3 771 326	3 737 885	4 200 641	4 163 376	3 460 379	3 435 981
term loans	25 682 471	25 347 129	25 304 180	24 955 408	22 915 949	22 645 108
- corporate & institutional enterprises	5 560 921	5 484 639	5 423 550	5 340 653	5 557 635	5 516 855
- medium & small enterprises	20 121 550	19 862 490	19 880 630	19 614 755	17 358 314	17 128 253
reverse repo / buy sell back transactions	1 031 029	1 031 029	2 654 156	2 654 156	3 838 553	3 838 553
other	1 519 632	1 519 634	1 386 380	1 386 380	1 317 106	1 317 106
Loans and advances to public sector	**1 519 618**	**1 508 338**	**1 622 369**	**1 609 624**	**1 923 026**	**1 911 923**
Other receivables	**183 355**	**183 355**	**476 991**	**476 991**	**1 047 273**	**1 047 273**
Financial liabilities						
Amounts due to other banks	**12 019 331**	**11 816 534**	**14 783 138**	**14 497 696**	**13 383 829**	**13 508 323**
Amounts due to customers	**81 140 866**	**81 266 808**	**78 545 901**	**78 672 642**	**72 422 479**	**72 501 565**
Debt securities in issue	**8 946 195**	**8 890 686**	**11 280 897**	**11 197 439**	**10 341 742**	**10 425 444**
Subordinated liabilities	**3 827 315**	**3 919 644**	**3 785 284**	**3 879 987**	**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 current interest rates taking into account credit spreads for an appropriate issuer.

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Financial liabilities. Financial instruments representing liabilities include the following:

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

The fair value for the above financial liabilities with more than 1 year to maturity is based on discounted equity cash flows using the discounting factor. For the loans in CHF received from Commerzbank the Group used the curve amended by quotations of Commerzbank CDS for exposures in EUR, curve based on quotations of issued bonds under EMTN programme and of quotations of basis swap EUR/CHF. For the loans received from European Investment Bank, EIB yield curve is used.

In the case of deposits, the Group has applied the curve constructed on the basis of quotations of interbank market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In case of subordinated liabilities the Group used curves based on cross-currency basis swap levels taking into account the original spread on subordinated liabilities and their maturities.

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.

31.12.2015	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	**557 541**	**183 658**	**2 654**	**371 229**
Debt securities	**550 695**	**179 466**	**-**	**371 229**
- government bonds	178 492	178 492	-	-
- deposit certificates	73 124	-	-	73 124
- banks bonds	248 156	974	-	247 182
- corporate bonds	50 923	-	-	50 923
Equity securities	**6 846**	**4 192**	**2 654**	**-**
- listed	4 192	4 192	-	-
- unlisted	2 654	-	2 654	-
DERIVATIVE FINANCIAL INSTRUMENTS	**3 349 328**	**-**	**3 348 908**	**420**
Derivative financial instruments held for trading	**3 151 873**	**-**	**3 151 453**	**420**
- interest rate derivatives	2 783 388	-	2 783 388	-
- foreign exchange derivatives	348 317	-	348 317	-
- market risks derivatives	20 168	-	19 748	420
Derivative financial instruments held for hedging	**197 455**	**-**	**197 455**	**-**
- derivatives designated as fair value hedges	146 694	-	146 694	-
- derivatives designated as cash flow hedges	50 761	-	50 761	-
INVESTMENT SECURITIES	**30 736 949**	**22 279 327**	**7 442 384**	**1 015 238**
Debt securities	**30 537 570**	**22 278 572**	**7 442 384**	**816 614**
- government bonds	22 238 625	22 238 625	-	-
- money bills	7 442 384	-	7 442 384	-
- banks bonds	233 158	-	-	233 158
- corporate bonds	583 456	-	-	583 456
- communal bonds	39 947	39 947	-	-
Equity securities	**199 379**	**755**	**-**	**198 624**
- unlisted	199 379	755	-	198 624
TOTAL FINANCIAL ASSETS	**34 643 818**	**22 462 985**	**10 793 946**	**1 386 887**

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31.12.2015	Including:	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
FINANCIAL LIABILITIES				
Derivative financial instruments	**3 173 638**	**-**	**3 173 638**	**-**
Derivative financial instruments held for trading	**3 171 624**	**-**	**3 171 624**	**-**
- interest rate derivatives	2 809 277	-	2 809 277	-
- foreign exchange derivatives	344 622	-	344 622	-
- market risks derivatives	17 725	-	17 725	-
Derivative financial instruments held for hedging	**2 014**	**-**	**2 014**	**-**
- derivatives designated as fair value hedges	2 014	-	2 014	-
Total financial liabilities	**3 173 638**	**-**	**3 173 638**	**-**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**34 643 818**	**22 462 985**	**10 793 946**	**1 386 887**
FINANCIAL LIABILITIES	**3 173 638**	**-**	**3 173 638**	**-**

Assets Measured at Fair Value Based on Level 3 - changes in the period from 1 January to 31 December of 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:	931	(18)	(49)	14 312	160 974
Recognised in profit or loss:	931	(18)	(49)	3 967	1 827
Net trading income	*931*	*(18)*	*(49)*	-	*99*
Gains less losses from investment securities, investments in subsidiaries and associates	-	-	-	*3 967*	*1 728*
Recognised in other comprehensive income:	-	-	-	*10 345*	*159 147*
Available for sale financial assets	-	-	-	*10 345*	*159 147*
Purchases	1 870 076	-	-	308 663	9 850
Redemptions	(281 307)	-	-	(49 980)	-
Sales	(7 594 537)	-	-	(984 211)	(2 753)
Issues	5 848 999	-	-	1 218 069	-
Settlements	-	-	-	-	(381)
Transfers into Level 3	-	-	-	-	238
Transfers out of Level 3	-	(4)	-	-	-
As at the end of the period	**371 229**	**-**	**420**	**816 614**	**198 624**

With regard 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 rules. In case if there is no market price used to a direct valuation for more than 5 working days, the method of valuation is changed, i.e. change from marked-to-market valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market valuation method takes place after a period of at least 10 working days in which the market price was available on a continuous basis. If there is no market prices for a debt treasury bonds the above terms are respectively 2 and 5 working days.

Transfers between levels in 2015	Transfers into Level 1	Transfers out of Level 1	Transfers into Level 2	Transfers out of Level 2
INVESTMENT SECURITIES	**4**	**(238)**	**-**	**-**
Equity securities	4	(238)	-	-

In 2015, one transfer has been observed from level 1 to level 3 of fair value hierarchy which resulted from the liquidation process of the issuer.

Moreover, in 2015 there has been observed one transfer from level 3 to level 1 of fair value hierarchy which resulted from the effect of valuation techniques revision applied to minority stakes of low value held by the Bank.

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30.09.2015	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	**2 561 125**	**2 120 030**	**2 620**	**438 475**
Debt securities	**2 546 276**	**2 107 801**	**-**	**438 475**
- government bonds	2 106 805	2 106 805	-	-
- deposit certificates	46 921	-	-	46 921
- banks bonds	312 049	996	-	311 053
- corporate bonds	80 501	-	-	80 501
Equity securities	**14 849**	**12 229**	**2 620**	**-**
- listed	12 229	12 229	-	-
- unlisted	2 620	-	2 620	-
DERIVATIVE FINANCIAL INSTRUMENTS	**3 737 662**	**-**	**3 737 660**	**2**
Derivative financial instruments held for trading	**3 471 478**	**-**	**3 471 476**	**2**
- interest rate derivatives	2 992 067	-	2 992 067	-
- foreign exchange derivatives	467 154	-	467 154	-
- market risks derivatives	12 257	-	12 255	2
Derivative financial instruments held for hedging	**266 184**	**-**	**266 184**	**-**
- derivatives designated as fair value hedges	218 904	-	218 904	-
- derivatives designated as cash flow hedges	47 280	-	47 280	-
INVESTMENT SECURITIES	**30 026 139**	**24 012 638**	**5 438 547**	**574 954**
Debt securities	**29 810 079**	**23 827 442**	**5 438 547**	**544 090**
- government bonds	23 788 023	23 788 023	-	-
- money bills	5 438 547	-	5 438 547	-
- banks bonds	94 671	-	-	94 671
- corporate bonds	449 419	-	-	449 419
- communal bonds	39 419	39 419	-	-
Equity securities	**216 060**	**185 196**	**-**	**30 864**
- listed	184 394	184 394	-	-
- unlisted	31 666	802	-	30 864
TOTAL FINANCIAL ASSETS	**36 324 926**	**26 132 668**	**9 178 827**	**1 013 431**

30.09.2015	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	**3 380 521**	**-**	**3 380 493**	**28**
Derivative financial instruments held for trading	**3 378 171**	**-**	**3 378 143**	**28**
- interest rate derivatives	3 045 355	-	3 045 355	-
- foreign exchange derivatives	323 764	-	323 740	24
- market risks derivatives	9 052	-	9 048	4
Derivative financial instruments held for hedging	**2 350**	**-**	**2 350**	**-**
- derivatives designated as fair value hedges	2 350	-	2 350	-
Total financial liabilities	**3 380 521**	**-**	**3 380 493**	**28**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**36 324 926**	**26 132 668**	**9 178 827**	**1 013 431**
FINANCIAL LIABILITIES	**3 380 521**	**-**	**3 380 493**	**28**

Assets Measured at Fair Value Based on Level 3 - changes in the period from 1 January to 30 September of 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:	3 565	(18)	(467)	9 023	(3 538)
Recognised in profit or loss:	3 565	(18)	(467)	3 300	(3 538)
Net trading income	*3 565*	*(18)*	*(467)*	-	*94*
Gains less losses from investment securities, investments in subsidiaries and associates	-	-	-	*3 300*	*(3 632)*
Recognised in other comprehensive income:	-	-	-	*5 723*	-
Available for sale financial assets	-	-	-	*5 723*	-
Purchases	1 174 413	-	-	111 622	6 840
Redemptions	(107 316)	-	-	(49 980)	-
Sales	(6 201 552)	-	-	(188 656)	(2 753)
Issues	5 042 298	-	-	352 320	-
Settlements	-	-	-	-	(381)
Transfers out of Level 3	-	(4)	-	-	-
As at the end of the period	**438 475**	**-**	**2**	**544 090**	**30 864**

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

Transfers between levels from 1 January 2015 to 30 September 2015	Transfers into Level 1	Transfers out of Level 1	Transfers into Level 2	Transfers out of Level 2
INVESTMENT SECURITIES	4			
Equity securities	4			

In the period of three quarters of 2015, there has been observed one transfer from level 3 to level 1 of fair value hierarchy which resulted from the effect of valuation techniques revision applied to minority stakes of low value held by the Bank.

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**

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**

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

Assets Measured at Fair Value Based on Level 3 - changes in 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**

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)

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 December 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 178 492 thousand (see Note 15) and the fair value of investment government bonds in the amount of PLN 22 238 625 thousand (see Note 19) (30 September 2015 respectively: PLN 2 106 805 thousand and 23 788 023 thousand, 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 39 947 thousand (30 September 2015: PLN 39 419 thousand, 31 December 2014: PLN 41 575 thousand), and the fair value of bonds issued by banks in the amount of PLN 974 thousand (30 September 2015: PLN 996 thousand, 31 December 2014: PLN 1 024 thousand).

In addition, as at 31 December 2015 level 1 includes the value of the shares of listed companies in the amount of PLN 4 192 thousand (30 September 2015: PLN 197 425 thousand, 31 December 2014: PLN 241 351 thousand, including value of PZU S.A. shares in the amount of respectively: PLN 184 394 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 7 442 384 thousand (30 September 2015: PLN 5 438 547 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 December 2015, 30 September 2015 and 31 December 2014, level 2 also includes the value of options referencing on the WIG 20 index, listed on the Stock Exchange. For the valuation of index options on WIG20 the Bank applied an internal model (based on a model for implied volatility) for which market data have been used as input parameters.

Level 3

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies (bonds and deposit certificates) in the amount of PLN 1 187 843 thousand (30 September 2015: PLN 982 565 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 and reflects the credit risk of the issuer. 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 198 624 thousand (30 September 2015: PLN 30 864 thousand, 31 December 2014: PLN 30 718 thousand). As at 31 December 2015 this amount includes the value of Visa Europe Ltd shares in the amount of PLN 167 243 thousand which was valuated at fair value on the basis on information held by the Bank in connection with the takeover transaction of Visa Europe Ltd by Visa Inc. which was described under item 29 of Selected explanatory information. The other equity securities presented at level 3 have been 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 fourth 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 KNF recommendation received by the Bank on 30 April 2015, which was described under the item 31 of Selected explanatory information, the Group has applied *IFRIC 21, Levies, Interpretation* in reference to fees payable to the BFG and income related to these costs in such way that these costs and income will be recognised over time 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 these condensed consolidated financial statements. 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

- **Sale of PZU S.A. shares**

In December 2015 mBank sold 4 731 170 shares of PZU S.A., of which 4 711 700 at a price of PLN 37.75 per one share, and 20 000 at a price of PLN 34.25 per one share. The result on the sale of PZU S.A. shares amounted to PLN 124 994 thousand (Note 9). In connection with the sale of PZU S.A. shares, mBank reclassified the gains from the valuation of these shares in the net amount of PLN 129 770 thousand from other components of equity to income statement.

- **The obligatory payment to the Bank Guarantee Fund (BFG)**

In reference to the information received from BFG on 26 November 2015, in accordance with the Law on the Bank Guarantee Fund Art. 26a, item 2, on 30 November 2015 the Bank made obligatory payment designated for the return of the guaranteed funds to the depositors of Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie (the Co-operative Crafts and Agriculture Bank in Wołomin).

In addition, on 30 November 2015 mBank Hipoteczny S.A. made a similar payment in the amount of PLN 432 thousand.

The total amount of payments made by mBank S.A. and mBank Hipoteczny S.A. due to this title amounted to PLN 141 716 thousand and has been included in overhead costs (Note 12).

- **Act on support for borrowers that are in a financial distress and took a housing loan**

On 9 September 2015 the Sejm of the Republic of Poland passed the "Act on support for borrowers that are in a financial distress and took a housing loan". The act sets principles for providing returnable financial support to natural persons obliged to repay housing loans who are in a financial distress as well as the terms and conditions for using it. The support will be paid from the Borrowers Support Fund, financed by contributions made by lenders proportionally to their share in the volume of housing loans portfolio granted to households which is above 90 days past due in respect of principal or interest repayment.

According to the information dated on 5 January 2016 received from the Borrowers Support Fund, the payments of mBank and mBank Hipoteczny due to the Fund will amount to PLN 51 727 thousand and PLN 350 thousand respectively. As a result mBank and mBank Group have made appropriate provisions and their cost have been included in the stand-alone financial result of mBank for the year 2015 and in the mBank Group consolidated financial result for 2015 in overhead costs (Note 12). Payment will be made on 18 February 2016.

- **Revaluation of the amount of share of Visa Europe Ltd**

As a result of the takeover of Visa Europe Ltd by Visa Inc. transaction and information on the settlement allocation relating to this transaction received by mBank which was described under item 29 of Selected explanatory information, as at 31 December 2015 the Bank has determined the fair value of the share in Visa Europe Ltd in the amount of EUR 39 245 thousand – equivalent PLN 167 243 thousand (at the average NBP exchange rate as of 31 December 2015), and the difference between the previous value of the share of PLN 43 and determined fair value, net of income tax in the amount of PLN 31 776 thousand, has been recognized in other comprehensive income and had no impact on the net profit of the Bank and the Group.

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

In the fourth 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 fourth quarter of 2015, mBank S.A. redeemed bonds in the amount of PLN 385 000 thousand. In the same time mBank Hipoteczny S.A. (mBH S.A.) issued mortgage bonds in the amount of PLN 255 000 thousand and redeemed mortgage bonds in the amount of PLN 100 000 thousand.

Moreover, on 10 October 2015, the company mFinance France S.A. made timely redemption of Eurobonds with a nominal value of EUR 500 000 thousand, issued on 4 October 2012 under the Eurobonds Issue Programme.

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 was taken on the session of the 28th Ordinary General Meeting of mBank S.A., resumed on 29 April 2015. The resolution regarding the distribution of profit assumes no dividend payout for the year 2014.

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

Events as indicated above did not occur in the Group.

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

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

10. Changes in contingent liabilities and commitments

In the fourth 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 fourth 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 fourth quarter of 2015, the Group has made revaluation write-off of fixed assets in the amount of PLN 2 000 thousand.

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

15. Acquisitions and disposals of tangible fixed asset items

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

19. Corrections of errors from previous reporting periods

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

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

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

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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 half year 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 December 2015 was 42 238 924 shares (31 December 2014: 42 210 057) at PLN 4 nominal value each (3 December 2014: PLN 4). All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 DECEMBER 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	-	-	28 867	115 468	fully paid in cash	2015
Total number of shares			**42 238 924**			
Total registered share capital				**168 955 696**		
Nominal value per share (PLN)		**4**				

* As at the end of the reporting period

In the fourth quarter of 2015, the National Depository of Securities (KDPW) has registered 387 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 fourth quarter of 2015 the Bank's share capital increased by PLN 1 548.

23. Material share packages

In the fourth quarter of 2015, there were no changes in the holding of material share packages of the Bank.

Commerzbank AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 December 2015 it held 69.49% of the share capital and votes at the General Meeting of mBank S.A.

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.

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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 Q3 2015	Number of shares acquired from the date of publishing the report for Q3 2015 to the date of publishing the report for Q4 2015	Number of shares sold from the date of publishing the report for Q3 2015 to the date of publishing the report for Q4 2015	Number of shares held as at the date of publishing the report for Q4 2015
Management Board				
1. Cezary Stypułkowski	6 784	-	-	6 784
2. Lidia Jabłonowska-Luba	818	-	-	818
3. Przemysław Gdański	4 689	-	-	4 689
4. Joerg Hessenmueller	2 454	-	1 200	1 254
5. Hans-Dieter Kemler	500	-	500	-
6. Cezary Kocik	-	-	-	-
7. Jarosław Mastalerz	818	-	-	818

As at the date of publishing the report for the third quarter of 2015 and as at the date of publishing the report for the fourth 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 publishing the report for the third quarter of 2015 and as at the date of publishing the report for the fourth quarter of 2015, Mr. Wiesław Thor had 2 192 shares of mBank.

As at the date of publishing the report for the third quarter of 2015 and as at the date of publishing the report for the fourth 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 December 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 December 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 Pekao SA (previously BPH SA) 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 was continued with the participation of Pekao SA (previously BPH SA) as the claimant. Bank Pekao SA (previously BPH 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 the company Garbary and contribution in kind as ineffective in relation to Bank Pekao SA (previously BPH SA). The Bank filed an annulment appeal to the Supreme Court from above mentioned judgment. On 5 August 2015 the Supreme Court issued a decision in which it has declined acceptance of the complaint for consideration.

Possibility of settlement of the dispute is being analyzed, with consideration of the legal conditions of efficient enforcement of the judgment.

2. Lawsuit brought by Bank Pekao SA (previously 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 Pekao SA (previously BPH SA) against Garbary Sp. z o.o. is finally settled. In November 2015, a decision to resume the suspended proceedings was made.

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. Seven of the suits against mBank were dismissed on substantive grounds and thus ended with a valid court order. The eighth suit was dismissed on substantive grounds by the District Court. On 21 December 2010, the Court of Appeals revoked the judgment of the District Court and remanded the case to the District Court in Warsaw for re-examination. 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. On 14 May 2015, the Supreme Court revoked the judgments of the Court of Appeal in Łódź and remanded the case to the Court of Appeal in Łódź for re-examination. On 24 September 2015 the Court of Appeal in Łódź admitted evidence from an opinion of an expert in order to verify the correctness of adjustments made by mBank in mortgage loan interest rates subject to class action in the period of 1 January 2009 to 28 February 2010.

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

Information regarding tax audits

Within the period from 9 June 2015 to 13 August 2015, the President of the capital city of Warsaw carried out tax audit in mLeasing Sp. z o.o. concerning real property tax in the scope of determining ownership, assets and the basis for collecting taxes on land, buildings and building structures located in the capital city of Warsaw. The audit did not identify any relevant irregularities.

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 fourth 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 Condensed Consolidated Financial Statements for the fourth quarter of 2015 PLN (000's)

26. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 December 2015, 30 September 2015 and 31 December 2014 were as follows:

mBank Group consolidated data

	31.12.2015	30.09.2015	31.12.2014
1. 1. Contingent liabilities granted and received	**27 927 383**	**28 299 517**	**25 257 970**
Commitments granted	**26 180 428**	**26 336 982**	**23 599 073**
- financing	21 098 198	21 410 085	19 973 966
- guarantees and other financial facilities	5 081 900	4 806 567	3 610 377
- other commitments	330	120 330	14 730
Commitments received	**1 746 955**	**1 962 535**	**1 658 897**
- financial commitments	-	251 270	31 841
- guarantees	1 746 955	1 711 265	1 627 056
2. 2. Derivative financial instruments (nominal value of contracts)	**579 167 621**	**605 444 950**	**754 177 045**
Interest rate derivatives	493 994 582	504 677 346	677 374 381
Currency derivatives	81 118 100	97 443 346	75 432 762
Market risk derivatives	4 054 939	3 324 258	1 369 902
Total off-balance sheet items	**607 095 004**	**633 744 467**	**779 435 015**

mBank stand-alone data

	31.12.2015	30.09.2015	31.12.2014
1. Contingent liabilities granted and received	**31 424 087**	**33 796 505**	**30 946 119**
Commitments granted	**29 687 445**	**31 926 869**	**29 372 865**
- financing	19 479 561	19 788 040	18 569 299
- guarantees and other financial facilities	10 207 884	12 018 829	10 789 166
- other commitments	-	120 000	14 400
Commitments received	**1 736 642**	**1 869 636**	**1 573 254**
- financial commitments received	-	251 270	31 841
- guarantees received	1 736 642	1 618 366	1 541 413
2. Derivative financial instruments (nominal value of contracts)	**581 022 593**	**608 066 693**	**757 955 294**
Interest rate derivatives	494 681 050	506 159 309	679 867 169
Currency derivatives	82 286 604	98 583 126	76 718 706
Market risk derivatives	4 054 939	3 324 258	1 369 419
Total off-balance sheet items	**612 446 680**	**641 863 198**	**788 901 413**

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 December 2015, 30 September 2015 and 31 December 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	**31.12.2015**	**30.09.2015**	**31.12.2014**	**31.12.2015**	**30.09.2015**	**31.12.2014**
Statement of Financial Position						
Assets	13 153	13 158	110 055	613 844	531 771	907 869
Liabilities	1 248	1 191	509	13 478 374	14 791 543	15 852 630
Income Statement						
Interest income	32	32	8 467	175 657	140 153	162 714
Interest expense	(4)	(2)	(25)	(230 191)	(189 030)	(332 127)
Fee and commission income	44	35	42	-	-	-
Fee and commission expense	-	-	-	-	-	-
Other operating income	72	56	26 776	20	17	378
Overhead costs, amortisation and other operating expenses	(1)	(1)	(58)	(9 285)	(7 302)	(9 532)
Contingent liabilities granted and received						
Contingent liabilities granted	1 514	1 517	2 617	1 379 203	1 421 347	1 309 589
Contingent liabilities received	-	-	-	618 758	781 055	836 870

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

As at 31 December 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 25 September 2013, mFF issued 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

■ Changes in the Supervisory Board of mBank S.A.

On 24 November 2015, Mr. Maciej Leśny, Chairman of the Supervisory Board of mBank S.A., received from Mr. Stefan Schmittmann, Member of the Supervisory Board of mBank S.A. and Chairman of the Risk Committee a letter of resignation from his function. The resignation took place on 31 December 2015.

On 10 December 2015, the Supervisory Board of mBank S.A. appointed Mr. Marcus Chromik as a member of the Supervisory Board of mBank S.A., replacing Mr. Stefan Schmittmann with effect from 1 January 2016 for the period until the end of the current term of the Supervisory Board. Mr. Marcus Chromik also assumed the post of the Chairman of the Risk Committee of the Supervisory Board of mBank S.A.

■ 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 off 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 relation 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. As a result of concluding the above mentioned agreements the Group recognised a liability related to contingent consideration which was valued on the basis of the best estimate of the Management Board of the Bank. Additionally, as a result of concluding the above mentioned distribution agreements, over the next 10 years the Group will recognise 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.

- **Reorganisation within mBank S.A. Group**

In the third quarter of 2015, mBank SA has conducted reorganisation within mBank S.A. Group, which involved the transfer of shares held by the company MLV 45 Sp. z o.o. spółka komandytowa in companies mBank Hipoteczny S.A., mLeasing Sp. z o.o., mFaktoring S.A. and mLocum S.A. under the direct control of mBank S.A. On 10 September 2015, shareholders of MLV 45 Sp. z o.o. sp.k. - mBank S.A. and MLV45 Sp. z o.o. adopted a resolution on MLV 45 Sp. z o.o. sp.k. liquidation, opening a liquidation procedure and appointing a liquidator. The application for the opening of the liquidation procedure was submitted to the District Court for the Capital City of Warsaw, 12th Division of the National Court Register on 10 September of 2015 and the company was deleted from the register on 22 December 2015. The afore-mentioned reorganisation steps have had no impact on the continuing full control mBank S.A. exercises over the mentioned subsidiaries.

The changes had no impact on the Group's consolidated net profit and Group's consolidated equity for the year 2015.

As a result of the above changes, in the stand-alone financial statements for the year 2015, the Bank has recognised an increase of retained earnings in the amount of PLN 505 732 thousand directly in the equity. These changes had no influence on the stand-alone net profit of mBank S.A. for the year 2015 presented in these condensed consolidated financial statements of mBank S.A. Group.

- **Act on tax on certain financial institutions**

On 15 January 2016 the Polish Parliament adopted the "Act on tax on certain financial institutions". The Act came into force on 1 February 2016.

The Act regulates the taxation of the assets of certain financial institutions. In the case of the Bank, the tax base is the excess of the total value of assets, resulting from the trial balance determined on the basis of the general ledger records as of the last day of the month in accordance with the accounting standards applied by the Bank, above the amount of PLN 4 billion, reduced by the value of own funds and treasury securities. The tax rate introduced by the Act is 0.0366% of the tax base per month.

The Act will have a significant negative impact on net profit and equity of the Bank and the Group.

- **Expected impact of the takeover of Visa Europe Limited (Visa Europe) by Visa Inc. transaction**

mBank S.A. has received an information with regards to the proposed structuring of the intended takeover of Visa Europe by Visa Inc transaction. The transaction depends on obtaining relevant regulatory approvals and its conclusion is planned for the second quarter of 2016. mBank S.A. will be one of transaction beneficiaries. According to the received information, the potential impact of the transaction settlement on mBank includes: EUR - 43.6 million in cash - equivalent of PLN 185.8 million (at the average NBP exchange rate as of 31 December 2015), EUR - 15.0 million in privileges shares (preferred stock) - equivalent of PLN 63.9 million (at the average NBP exchange rate as of 31 December 2015). The above amounts may be adjusted by the transaction costs, the amounts corresponding to the impairment of the company's Visa Europe incurred as a result of the occurrence of the events described in the transaction documents (leakage) and by any approved requests for revision of the granted amounts made by the members of Visa Europe. The Visa Europe members have the right to appeal. The process of reviewing appeals will last until 1 March 2016. The final amounts allocated on individual participants of the transaction will be known on its finalisation (closing date), which is expected in the second quarter of 2016.

Moreover, the transaction between Visa Inc. and Visa Europe provides for a conditional payment, *"earn-out"* type and payable in cash after the period of 16 quarters after the settlement of the transaction, of which impact on the Bank's result is unknown. The final amount of the conditional payment (earn-out) will depend on a number of conditions and the amount of the total revenue of Visa Europe generated by all the participants of the organization within 4 years after the conclusion of the transaction as well as the share of revenue generated by the Bank in this total revenue.

Accordingly, as at 31 December 2015, the Bank has determined the fair value of the share in Visa Europe Ltd in the amount of EUR 39 245 thousand – equivalent PLN 167 243 thousand (at the average NBP exchange rate as of 31 December 2015), and the difference between the previous value of the share of PLN 43 and determined fair value, net of income tax in the amount of PLN 31 776 thousand, has been recognized in other comprehensive income and had no impact on the net profit of the Bank and the Group.

30. Factors affecting the results in the coming quarter

Entering into force on 1 February 2016 of the "Act on tax on certain financial institutions", specified in the item 29 above will have a significant negative impact on the financial results of the Bank and the Group in Q1 2016.

31. Other information

- **Recommendation of the Polish Financial Supervisory Authority (KNF) concerning the accounting approach towards recognition of fees payable to BFG**

Implementing KNF Recommendation addressed to the Bank in the letter of 30 April 2015, on 22 June 2015 the Bank published the mBank S.A. Group Adjusted Condensed Consolidated Financial Statements for the first quarter 2015, in which the approach towards recognition of fees payable to BFG as well as towards income related to these fees over time throughout the year 2015 had been applied, the same way as in 2014.

In accordance with KNF Recommendation and further KNF explanations included in a letter dated 16 June 2015, the aim of KNF Recommendation was to assure compliance of mBank and mBank Group reporting with the position of the Ministry of Finance, expressed in a letter dated 11 February 2015 (published on the KNF Office website on 12 February 2015) and to ensure its comparability with the Polish banking sector in relation to recognition of fees payable to BFG.

Following the publication of the opinion issued by the European Securities and Markets Authority (No. 2015 / ESMA / 1462) and the letter of KNF from 30 December 2015 relating to the accounting treatment of the fees paid to BFG as well as doubts that arose in connection with these publications, as at the date of publication of these Condensed Consolidated Financial Statements it cannot be excluded that the approach used by the Polish banking sector in 2015, i.e. recognition of the cost of these fees over the time, may be changed in 2016.

- **KNF recommendations on additional capital requirement and the dividend from the 2014 profit**

On 23 October 2015 mBank SA received from the Polish Financial Supervisory Authority (KNF) the following recommendations: 1. To maintain by mBank S.A. own funds to cover the additional capital requirement at the level of 4.39 p.p. in order to secure the risk resulting from foreign exchange mortgage loans for households, which should include at least 75% of Tier I equity (which corresponds to 3.29 p.p.); 2. To retain by mBank S.A. at least 50% of the profit generated in the period from 1 January 2014 to 31 December 2014. The recommendation presented in point 1 above should be respected by mBank S.A. from the day of its receiving till the day of its revoking. mBank S.A. maintains the own funds at the level which fulfils the recommendation presented in point 1 above.