mBank S.A. Group

IFRS Condensed Consolidated Financial Statements
for the fourth quarter of 2013

Contents

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		4 Quarters of 2013 the period from 01.01.2013 to 31.12.2013	4 Quarters of 2012 the period from 01.01.2012 to 31.12.2012 restated	4 Quarters of 2013 the period from 01.01.2013 to 31.12.2013	4 Quarters of 2012 the period from 01.01.2012 to 31.12.2012 restated
I.	Interest income	3 949 971	4 523 117	938 013	1 083 745
II.	Fee and commission income	1 303 834	1 216 879	309 626	291 566
III.	Net trading income	342 978	356 542	81 448	85 428
IV.	Operating profit	1 517 703	1 464 808	360 414	350 970
V.	Profit before income tax	1 517 703	1 464 808	360 414	350 970
VI.	Net profit attributable to Owners of mBank S.A.	1 206 375	1 197 321	286 482	286 880
VII.	Net profit attributable to non-controlling interests	2 603	581	618	139
VIII.	Net cash flows from operating activities	(875 524)	3 551 574	(207 914)	850 962
IX.	Net cash flows from investing activities	(146 597)	(216 342)	(34 813)	(51 836)
X.	Net cash flows from financing activities	(2 842 591)	(400 979)	(675 039)	(96 075)
XI.	Net increase / decrease in cash and cash equivalents	(3 864 712)	2 934 253	(917 766)	703 051
XII.	Basic earnings per share (in PLN/EUR)	28.62	28.43	6.80	6.81
XIII.	Diluted earnings per share (in PLN/EUR)	28.61	28.40	6.79	6.80
XIV.	Declared or paid dividend per share (in PLN/EUR)	10.00	-	2.37	-

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000			in EUR'000		
		As at			As at		
		31.12.2013	30.09.2013 restated	31.12.2012 restated	31.12.2013	30.09.2013 restated	31.12.2012 restated
I.	Total assets	104 282 761	104 000 120	102 144 983	25 145 342	25 280 791	24 985 319
II.	Amounts due to the Central Bank	-	-	-	-	-	-
III.	Amounts due to other banks	19 224 182	21 416 248	21 110 939	4 635 461	5 205 953	5 163 871
IV.	Amounts due to customers	61 673 527	60 085 074	57 983 600	14 871 124	14 605 735	14 183 161
V.	Equity attributable to Owners of mBank S.A.	10 229 342	9 863 500	9 594 430	2 466 566	2 397 662	2 346 859
VI.	Non-controlling interests	27 096	26 518	24 491	6 534	6 446	5 991
VII.	Share capital	168 696	168 681	168 556	40 677	41 004	41 230
VIII.	Number of shares	42 174 013	42 170 252	42 138 976	42 174 013	42 170 252	42 138 976
IX.	Book value per share (in PLN/EUR)	242.55	233.90	227.69	58.49	56.86	55.69
X.	Capital adequacy ratio	19.38	19.17	18.73	19.38	19.17	18.73

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		4 Quarters of 2013 the period from 01.01.2013 to 31.12.2013	4 Quarters of 2012 the period from 01.01.2012 to 31.12.2012 restated	4 Quarters of 2013 the period from 01.01.2013 to 31.12.2013	4 Quarters of 2012 the period from 01.01.2012 to 31.12.2012 restated
I.	Interest income	3 631 968	4 135 914	862 495	990 970
II.	Fee and commission income	1 084 180	1 011 765	257 464	242 420
III.	Net trading income	326 358	344 897	77 501	82 638
IV.	Operating profit	1 340 645	1 449 052	318 367	347 195
V.	Profit before income tax	1 340 645	1 449 052	318 367	347 195
VI.	Net profit	1 070 306	1 193 575	254 169	285 982
VII.	Net cash flows from operating activities	(1 229 350)	3 290 233	(291 938)	788 344
VIII.	Net cash flows from investing activities	126 535	(133 420)	30 049	(31 968)
IX.	Net cash flows from financing activities	(3 049 423)	296 936	(724 156)	71 146
X.	Net increase / decrease in cash and cash equivalents	(4 152 238)	3 453 749	(986 046)	827 523
XI.	Basic earnings per share (in PLN/EUR)	25.39	28.34	6.03	6.79
XII.	Diluted earnings per share (in PLN/EUR)	25.38	28.31	6.03	6.78
XIII.	Declared or paid dividend per share (in PLN/EUR)	10.00	-	2.37	-

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000			in EUR'000		
		As at			As at		
		31.12.2013	30.09.2013 restated	31.12.2012 restated	31.12.2013	30.09.2013 restated	31.12.2012 restated
I.	Total assets	100 232 132	99 644 169	98 057 913	24 168 628	23 633 083	23 985 596
II.	Amounts due to the Central Bank	-	-	-	-	-	-
III.	Amounts due to other banks	18 863 854	20 880 552	20 241 514	4 548 576	4 952 340	4 951 204
IV.	Amounts due to customers	64 008 374	61 685 821	59 881 918	15 434 118	14 630 321	14 647 502
V.	Own equity	9 573 220	9 248 208	9 072 794	2 308 357	2 193 442	2 219 264
VI.	Share capital	168 696	168 681	168 556	40 677	40 007	41 230
VII.	Number of shares	42 174 013	42 170 252	42 138 976	42 174 013	42 170 252	42 138 976
VIII.	Book value per share (in PLN/EUR)	226.99	219.30	215.31	54.73	52.01	52.67
IX.	Capital adequacy ratio	20.59	20.88	19.66	20.59	20.88	19.66

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 2013: EUR 1 = 4.1472, exchange rate as at 30 September 2013: EUR 1 = PLN 4.2163 and and 31 December 2012: EUR 1 = PLN 4.0882.
- 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 2013 and 2012: EUR 1 = PLN 4.2110 and EUR 1 = PLN 4.1736 respectively.

Introduction

During Q4 2013, mBank Group generated a profit before income tax of PLN 405.5 million, representing an increase of PLN 51.0 million or 14.4% QoQ. Net profit attributable to the shareholders of mBank increased by PLN 25.6 million or 8.9% QoQ to reach PLN 314.2 million.

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

- **Increase of revenues** to PLN 964.2 million (+2.0% QoQ) supported by an increase in net interest income (PLN 588.1 million or +3.2% QoQ), an increase in net fee and commission income (PLN 228.9 million or +8.6%) and the additional dividend paid by PZU, which amounted to PLN 9.4 million.

- **Increase of operating expenses** (including depreciation and amortisation) compared to the previous quarter, which stood at PLN 441.6 million. Consequently, the effectiveness of mBank Group measured by the cost/income ratio remained stable on a quarter-on-quarter basis. The cost/income ratio after Q4 2013 reached 45.7% compared to 45.6% after Q3 2013.

- **Decrease of risk costs** to 68 bps. Net impairment losses on loans and advances decreased by PLN 56.5 million or 32.5% QoQ. The change was driven by lower provisions in both the Retail Banking segment and the Corporates and Financial Markets area.

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

    - **Growth of the retail customer base**, which reached 4,368 thousand (+42 thousand customers compared to Q3 2013, +235 thousand from the beginning of 2013);

    - **Increase in the number of corporate customers** to a record high of 16,333 clients (+332 compared to Q3 2013, +1,238 from the beginning of 2013).

Net loans and advances to customers stood at PLN 68,210.4 million at the end of Q4 2013 and were lower by PLN 996.3 million or 1.4% compared to the end of Q3 2013. The reduction was driven by a decrease of the volume of corporate loans by PLN 735.7 million or 2.4% and the volume of loans to individual clients by 547.5 or 1.4% (excluding the FX effect, total net loans and advances decreased by 0.3%). The volumes of gross corporate loans and loans to individual clients amounted to PLN 29,475.3 million and PLN 38,307.9 million respectively.

Customer deposits increased by PLN 1,588.4 million or 2.6% QoQ to PLN 61,673.5 million. Retail deposits increased by 4.9% to PLN 34,203.1 million, whereas corporate deposits increased by 0.4% to PLN 26,752.9 million. Underlying corporate deposits (excluding repo / sell buy back transactions) decreased by 4.9%.

Consequently, the loans to deposits ratio of mBank Group declined compared to the previous quarter and stood at 110.6%.

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

- Gross ROE amounted to 16.5% compared to 15.6% at the end of Q3 2013;

- Net ROE amounted to 13.1% compared to 12.6% at the end of Q3 2013.

The Group's capital ratios remained at a safe level. The capital adequacy ratio (CAR) stood at 19.38% at the end of December 2013, compared to 19.17% at the end of Q3 2013. The Core Tier 1 ratio stood at 14.21%, compared to 14.02% at the end of Q3 2013.

Major achievements of mBank S.A. Group in Q4 2013

Changes in the Authorities of mBank S.A.

On November 13, 2013, Ulrich Sieber, Member and Deputy Chairman of the Supervisory Board, handed in his resignation, effected as of November 30, 2013. The resignation was caused by the termination of service as Member of the Management Board of Commerzbank AG. On December 12, 2013, Mr Sieber was succeeded by Martin Zielke, who will serve until the end of the present term of the Supervisory Board.

Euro Medium Term Note Programme

In 2012, BRE Finance France as the issuer and the Bank as the issue underwriter had signed an agreement for a Euro Medium Term Note Programme (EMTN) for a total amount of up to EUR 2 billion. Under the EMTN Programme, the issuer will have a right to issue debt securities in multiple tranches, various currencies and with diverse interest structure.

The Programme currently bears ratings of "A" and "BBB+" assigned by Fitch Ratings and Standard and Poor's Rating Services respectively.

In Q4 2013, two tranches of bonds under the Programme were issued:

- On September 25, 2013, BRE Finance France issued Eurobonds with a nominal value of CHF 200 million, maturing in 2018. The interest on Eurobonds is 2.5% per annum. Receipts from the issue of debt securities have been remitted by the issuer to the Bank as issue underwriter in the form of a cash deposit. The Bank will pay BRE Finance France, the provider of the cash deposit, fixed interest on an annual basis, and an additional repurchase premium amounting to CHF 1,033 thousand. The funds will be used to finance general banking operations of the Bank. On September 26, 2013, the newly issued tranche of Eurobonds was assigned with ratings in accordance with those assigned to the EMTN Programme. The settlement of the issue took place on October 8, 2013.
- On November 22, 2013, BRE Finance France issued a tranche of bonds with a nominal value of CZK 500 million, maturing in 2018 (in form of a "private placement"). The interest on the bonds was set at 2.32% per annum and the settlement of the issue took place on December 6, 2013.

The first tranche of Eurobonds was issued on October 4, 2012 (eurobonds with a nominal value of EUR 500 million, maturity date in 2015, and interest of 2.75%).

Rebranding of the Group

November 25, 2013, when BRE Bank and MultiBank brands were replaced with the mBank brand, was a milestone date for the rebranding process. The new name was entered into the register of entrepreneurs and since then has been used on every market and in every area of the Bank's operations. The rebranding process also covered the Group subsidiaries. Before the end of 2013 their logotypes and names were replaced with new ones with an "m" prefix: BRE Faktoring changed its name to mFaktoring, BRE Leasing to mLeasing, DI BRE to Dom Maklerski mBanku, whereas BRE Bank Hipoteczny is thereafter called mBank Hipoteczny.

Previous websites of mBank, MultiBank and BRE Bank are now available at: www.mbank.pl

Clients have not been directly involved in this process since no provisions of existing agreements changed and it was not necessary to enter into new ones. Clients did not have to contact the Bank in any way.

Ultimately, the rebranding process will cover all the outlets of the former BRE Bank Group with all its branches getting a new logo. The process will be completed during 2014. Additionally, in accordance with the One Bank Strategy, all retail and corporate branches of the Bank will have been re-organized and repositioned by 2018 to provide a full range of services to all mBank clients.

In Q4 2013, an information campaign was launched in connection with the rebranding process. The rebranding also served as an opportunity to refresh the existing mBank brand. The new transactional platform of mBank, developed as part of the New mBank project (for more information see The New mBank Project section), reflects the new brand concept and its color scheme.

The New mBank Project

On June 4, 2013, the Bank launched a state-of-the-art Internet banking platform as part of the New mBank project. The project commenced in Q1 2012 and the service launch coincided with the announcement of the Group rebranding.

The work on the New mBank project lasted 14 months. Each and every element of the new platform was designed entirely from scratch in concordance with the new brand concept. The project team was composed of over 200 persons from across the Bank. Their efforts were appreciated by professionals who awarded accolades to mBank in multiple contests and deemed the project a benchmark for the industry (report of Forrester Research, a consultancy).

Q4 2013 brought further confirmation of the validity of the decision to create the new platform. The core goal guiding the design of the platform, which was to simplify it, make it more ergonomic, intuitive and quicker in use, was accomplished. mBank won numerous awards in recognition of its new platform, including the title of the best on-line and mobile bank in the "Distribution and Marketing Innovation Awards" contest organized by Efma (i.e. European Financial Management Association) and Accenture.

In December 2013, plans to replace the existing version of the retail banking transactional service with the new one were affirmed. The process is due to be completed by the end of 2014. The existing transactional platform of the Bank will be turned off in stages. The whole process is accompanied by a regular information campaign.

Distinctions and awards

In Q4 2013, the Group was appreciated by both clients and external experts, which was reflected in a number of awards and distinctions:

- The Bank ranked sixth in the "Safest Emerging Market Banks in Central and Eastern Europe" contest organised by Global Finance magazine. The ranking was created through an evaluation of long-term credit ratings - from Standard & Poor's, Fitch Ratings and Moody's - and total assets of the largest banks in the region.

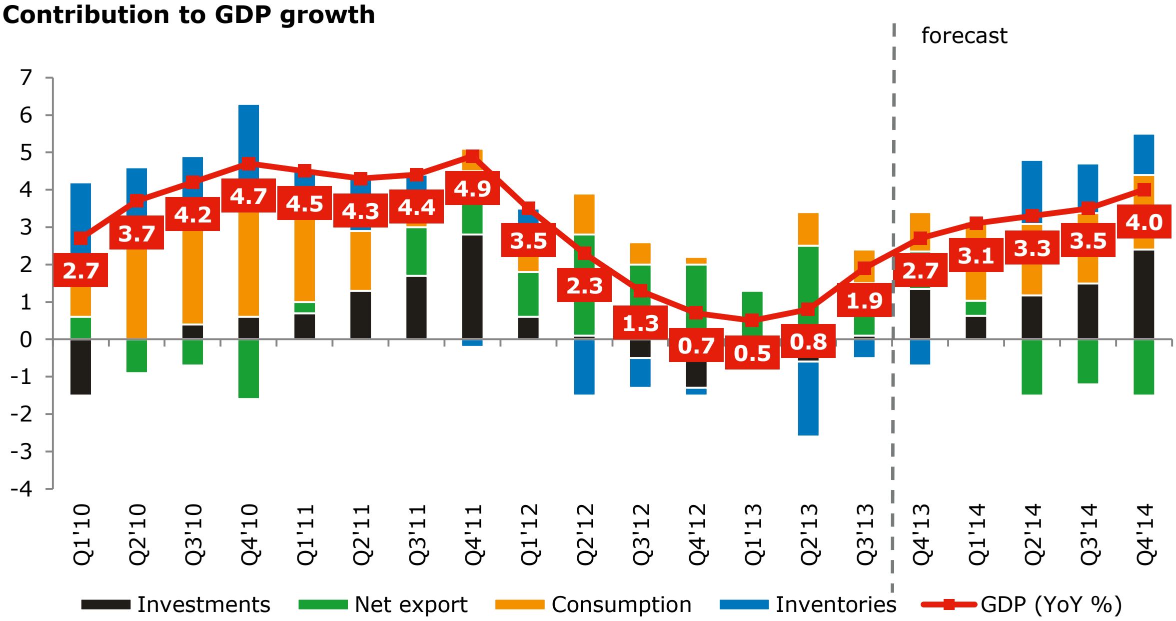
- The Bank received the "Best Online Treasury Services" award from Global Finance magazine in the Best Corporate/Institutional Internet Banks category. The Bank was the only Polish institution awarded in the World's Best Internet Bank 2013 contest. The winners were rewarded for an effective strategy of acquiring and servicing online clients, growth in their number, offer available online, benefits for actively using Internet services, website design and functionality.

- In the annual marketing contest, which rewards the most effective advertising campaigns, mBank was awarded with Effie award for the advertising campaign of mSaver.

Economic environment in Q4 2013

Positive trends in the Polish economy observed since mid-year consolidated in Q4 2013. According to the Bank's projections based on data of monthly frequency, the Polish economy grew by 2.5% year on year in Q4, accelerating for the fourth consecutive quarter. In the opinion of the Bank, signals from the real economy still support an optimistic outlook of the Polish economy: the Bank expects that the Polish GDP will grow by more than 3% in 2014.

Contribution to GDP growth



Q4 2013 also confirmed that the structure of GDP growth is changing in a way typical of the phase of economic recovery. While the contribution of net exports decreased (and the share of domestic demand grew), the financial standing, expectations and investment plans of companies operating on the local market have steadily improved in the last months. A range of signals suggest that there are more drivers of the Polish economy than exports alone.

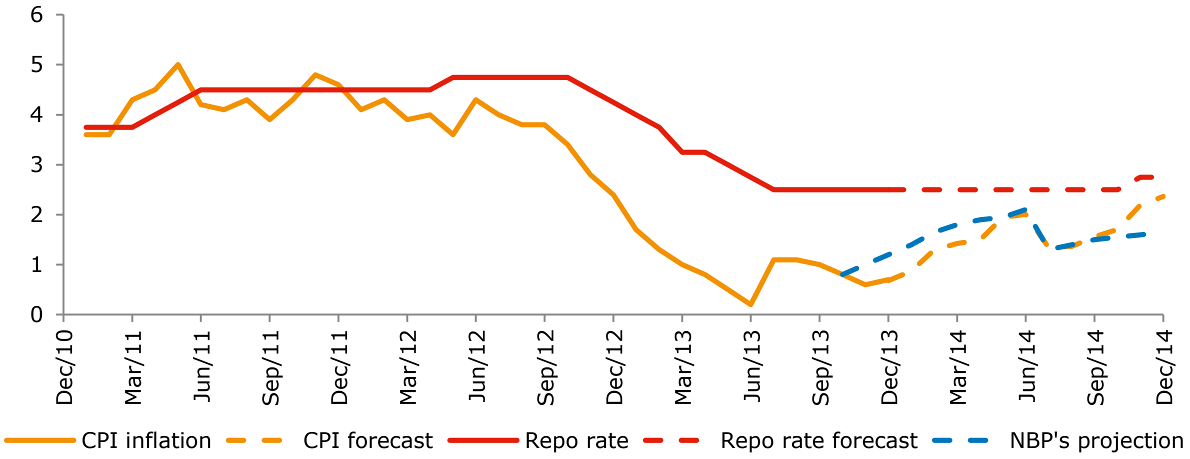
The real income levels of consumers in Q4 2013 were the most advantageous in many years. Low inflation combined with solid and accelerating growth of nominal wages and salaries resulted in a high growth rate of real income while a systematic increase of employment expanded the income base for consumption. The positive consumer outlook is corroborated not only by the strong consumption figures in Q3 2013 but also by the continuation of positive trends in retail sales in subsequent months. In the opinion of the Bank, the factor supported among others by a growing job market and easier consumer credit will be one of the drivers of GDP growth also in the coming quarters even if inflation grows.

After a positive surprise in Q3 2013, investments most likely continued to rise in Q4. According to preliminary estimates of the Bank, gross investments in fixed assets grew by 4.5% YoY. The growth of investments in the Polish economy is driven not only by construction (infrastructure, housing, and commercial) but also by acquisitions of plant and machinery, as confirmed by the structure of outlays in Q3, as well as the high growth in industries which produce investment goods. While the size of investments remains low and investments tend to concentrate within a small group of large enterprises (as suggested by NBP's corporate sentiment and finance surveys), the constellation of macroeconomic factors (clear increase of demand and decrease of macroeconomic uncertainty) favours corporate investment decisions. Moreover, the high utilisation of the production capacity suggests that companies will be under pressure to expand the capacity early in the economic recovery. In the opinion of the Bank, the expectation of favourable years for investments is supported by the start of the EU's new budget perspective which allows for financing of public investments. The latter will boost and extend the growth phase of the current market cycle.

Inflation and Interest Rates

Despite the expectation of a gradual rise in inflation, the CPI fell from 1.1% to 0.8% in Q4 2013. Inflation continued to slow down due to supply and regulatory factors. On the one hand, inflation was still curbed by record-low food prices and falling fuel prices, on the other hand, the stability of core inflation was distorted by kindergarten fees and new promotions launched by mobile phone operators.

Inflation CPI and NBP reference rate



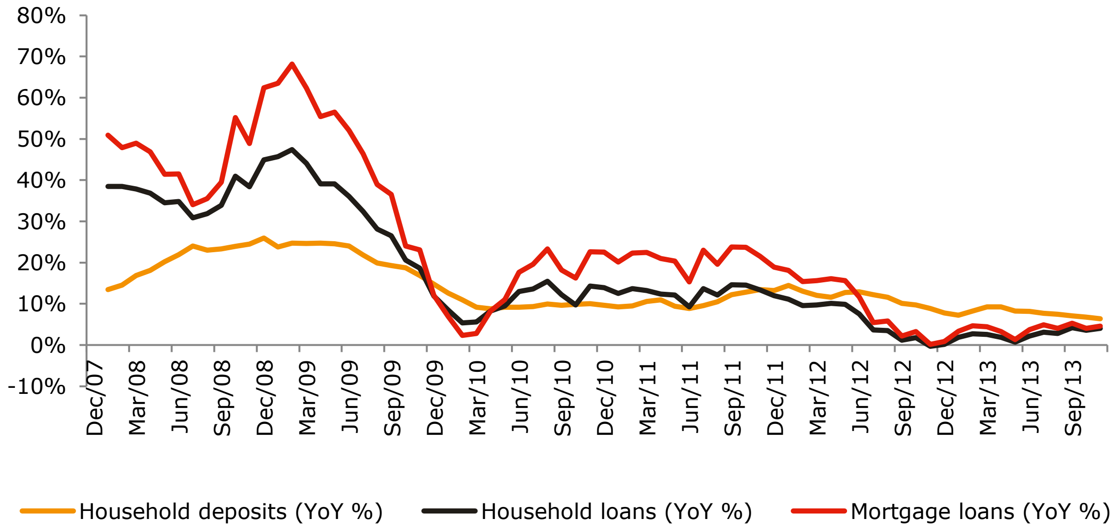
As GDP growth continued to rise while inflation was dormant, the monetary policy remained unchanged. Although further rate cuts are practically out of the question, the Monetary Policy Council (RPP) maintained a neutral bias from meeting to meeting, combined with dovish statements and extension of the time horizon of low rates until mid-2014. This approach is corroborated by the materialisation of the Council's baseline scenario (economic recovery and no inflation pressures). The Bank expects that the monetary policy will be tightened as of late 2014.

The Polish zloty gradually appreciated in Q4 2013. Unlike the currencies of many developing countries, the Polish zloty remained stable in the time of turbulences ranging from escalating budget conflicts in the USA to concerns with the strength of US economic growth to changing expectations of the termination of the asset repurchase scheme (including the unexpected start of termination at the December meeting). The EUR/PLN exchange rate stood at 4.15 at the year's end. The Bank expects the appreciation of the Polish zloty to continue as the outlook of the Polish economy turns increasingly optimistic and the economic situation in Europe improves further.

Money supply and the banking sector mirror the economy

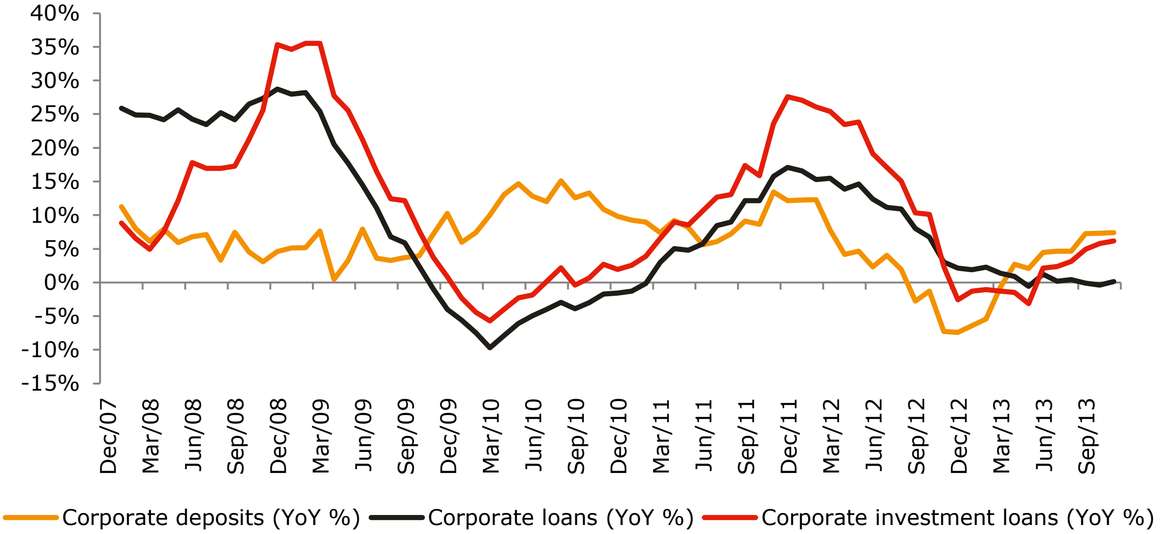
The situation of the banking and financial sector in Q4 2013 reflected the trends observed in the real economy. As NBP rates stabilised at a record-low level of 2.5%, the market rates cut cycle ended and only some of the rates (including interbank rates and interest rates on corporate deposits and loans) were declining. This put an end to the migration of household savings from term deposits to current accounts and then out of the banking sector. Finally, economic recovery in Q4 2013 continued at a minimum growth of new lending concentrated in selected market segments.

Household loans and deposits



Household deposits grew by ca. PLN 12 billion in Q4 (PLN 15 billion in Q4 2012), marking the lowest increase in retail deposits in 9 years. While the majority of household savings are invested in current accounts, the uptrend in their share slowed down in Q4, as did the growth of inflows into investment funds. In the opinion of the Bank, this does not end the rotation of household assets observed throughout 2013 but rather represents a temporary realisation of profits and reflects the weakness of the stock market in the last weeks of the year. As for lending, consumer loans continued to grow while housing loans grew only moderately. The shift of contracts following the implementation of the new Regulation S was less pronounced than expected, which suggests that demand for housing loans is more stable. In the opinion of the Bank, the volume of housing loans should stabilise in the coming quarters as a result of steady (though slow) growth of new lending and decrease in the volumes of FX loans as a result of the expected appreciation of the zloty.

Corporate loans and deposits



The growth rate of corporate deposits rose moderately in Q4 2013 (from 7.3% to 9.9%). The increase in the volume of corporate deposits reflects their improving financial standing, i.e., growing profitability of the core business, initially driven mainly by cost discipline and only later by growing revenue. A look at the financial results of companies suggests that the latter is now the case. Lending has stabilised again, which however conceals a systematic change in the structure of corporate loans shifting from working capital to investment loans.

Financial performance of mBank S.A. Group in Q4 2013

Change in the approach toward recognition of income and expenses from selling insurance products attached to loans

In Q4 2013 the Group introduced a change to its accounting policies regarding the recognition of income and expenses related to sales of insurance products attached to loans.

As the Group does not compel its clients to utilize its bancassurance offers and the purchase of insurance products has a voluntary character, it has thus for reported the income from sale of insurance products on a stand-alone basis and not according to the reporting requirements for bundled products. Given the evolving trends in the banking industry in Poland and beyond for bancassurance products, the Group amended its accounting policies in that respect already during 2013 which led to:

- creation of provisions to reflect for premium claw back risk due to early termination of insurance contract;
- a more conservative reflection of the intermediation costs associated with sale of insurance products;
- starting from July 2013, implementation of stage of completion analysis for recognition of income on sale of insurance products which resulted in reporting ca. 1/3 of this income upfront after taking into account the claw back provisions.

The Group assumed this accounting approach to be compliant with the respective International Financial Reporting Standards concepts and rules as well as appropriate with regards to the economic behavior of both the clients and the Bank.

In December 2013 the Group received (together with all other banks in Poland) a detailed guidance from the Polish Financial Supervision Authority on how to account for bancassurance business, which in particular defined a wider, more restrictive definition of bundled products. The Group implemented the recommended definition of bundled products and consequently adjusted its accounting approach towards its bancassurance business conducted in 2013 as well as in prior years.

The retrospective implementation of the changes in accounting policy led to the restatement of the Group's (and the Bank's) opening balance as of January 1, 2012 and consequently as of January 1, 2013, as well as the financial results reported for 2012 and for the three quarters of 2013.

The amended accounting policy leads in case of insurance policies bundled with loans to upfront recognition of 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.

Given the sales pattern of bancassurance products as well as the adjustments made to the accounting approach in Q2 and Q3 2013, the newly implemented bancassurance accounting policy led to a higher profit after tax in the restated profit and loss accounts for the respective quarters of the year 2013 and the decrease of the consolidated and stand-alone equity of the Group and the Bank as of December 31, 2013, by PLN 71.7 million compared to the accounting approach applied until Q3 2013. The change in the accounting policy also led to a decrease of consolidated capital adequacy ratio and consolidated Core Tier 1 ratio of the Group by 0.15 p.p. and a decrease of stand-alone capital adequacy ratio and stand-alone Core Tier 1 ratio of the Bank by 0.18 p.p. as of December 31, 2013.

The description of the accounting policy concerning bancassurance products is included in notes 2.5. and 2.33. to the mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 (2.5. Revenue and expenses from sale of insurance products bundled with loans and 2.33. Comparative data).

The tables illustrating the restated quarterly results for 2012 and 2013 are presented below.

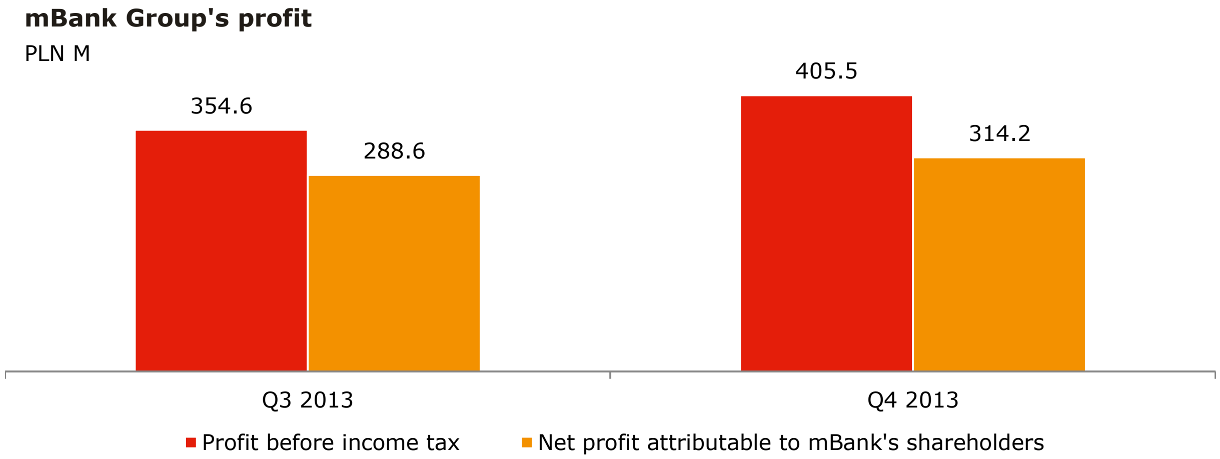
PLN thousand	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012
Interest income	1,102,021	1,090,120	1,157,416	1,173,560	4,523,117
Interest expenses	(553,230)	(514,344)	(571,410)	(604,536)	(2,243,520)
Net interest income	**548,791**	**575,776**	**586,006**	**569,024**	**2,279,597**
Fee & commission income	315,199	306,911	295,185	299,584	1,216,879
Fee & commission expenses	(101,576)	(101,481)	(113,402)	(113,874)	(430,333)
Net fee & commission income	**213,623**	**205,430**	**181,783**	**185,710**	**786,545**
Dividend income	20	2,642	11,191	49	13,902
Net trading income, including	97,681	83,304	99,478	76,079	356,542
Foreign exchange result	*78,880*	*73,822*	*90,376*	*80,928*	*324,006*
Other trading income and hedge accounting result	*18,801*	*9,482*	*9,102*	*(4,849)*	*32,536*
Gains less losses from investment securities	16,026	20,468	5,390	3,082	44,966
Other operating income	75,776	56,479	53,111	90,355	275,721
Net impairment losses on loans and advances	(111,811)	(108,967)	(134,870)	(88,987)	(444,635)
Overhead costs	(343,766)	(356,231)	(383,126)	(382,591)	(1,465,714)
Amortization and depreciation	(48,341)	(50,598)	(45,303)	(51,375)	(195,617)
Other operating expenses	(34,816)	(25,635)	(28,596)	(97,453)	(186,500)

Operating profit	**413,183**	**402,668**	**345,064**	**303,893**	**1,464,808**
Profit before income tax	**413,183**	**402,668**	**345,064**	**303,893**	**1,464,808**
Income tax expense	(81,334)	(85,319)	(72,723)	(27,530)	(266,906)
Net profit (loss)	**331,849**	**317,349**	**272,341**	**276,363**	**1,197,902**
- attributable to mBank S.A.	331,753	317,273	272,492	275,803	1,197,321
- attributable to minority interest	96	76	(151)	560	581

PLN thousand	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
Interest income	1,048,123	997,534	959,049	945,265	3,949,971
Interest expenses	(530,640)	(447,302)	(389,049)	(357,169)	(1,724,160)
Net interest income	**517,483**	**550,232**	**570,000**	**588,096**	**2,225,811**
Fee & commission income	296,069	331,245	331,760	344,760	1,303,834
Fee & commission expenses	(110,180)	(121,989)	(121,071)	(115,856)	(469,096)
Net fee & commission income	**185,889**	**209,256**	**210,689**	**228,904**	**834,738**
Dividend income	26	2,283	14,768	9,779	26,856
Net trading income, including	75,798	102,460	86,282	78,438	342,978
Foreign exchange result	*68,978*	*74,482*	*71,698*	*67,387*	*282,545*
Other trading income and hedge accounting result	*6,820*	*27,978*	*14,584*	*11,051*	*60,433*
Gains less losses from investment securities	774	36,160	16,368	25,276	78,578
Other operating income	93,029	82,479	94,830	104,483	374,821
Net impairment losses on loans and advances	(27,654)	(159,459)	(173,585)	(117,080)	(477,778)
Overhead costs	(356,928)	(372,216)	(371,404)	(389,605)	(1,490,153)
Amortization and depreciation	(44,774)	(45,660)	(45,425)	(52,031)	(187,890)
Other operating expenses	(41,574)	(49,986)	(47,960)	(70,738)	(210,258)
Operating profit	**402,069**	**355,549**	**354,563**	**405,522**	**1,517,703**
Profit before income tax	**402,069**	**355,549**	**354,563**	**405,522**	**1,517,703**
Income tax expense	(75,668)	(77,242)	(65,071)	(90,744)	(308,725)
Net profit (loss)	**326,401**	**278,307**	**289,492**	**314,778**	**1,208,978**
- attributable to mBank S.A.	325,736	277,853	288,586	314,200	1,206,375
- attributable to minority interest	665	454	906	578	2,603

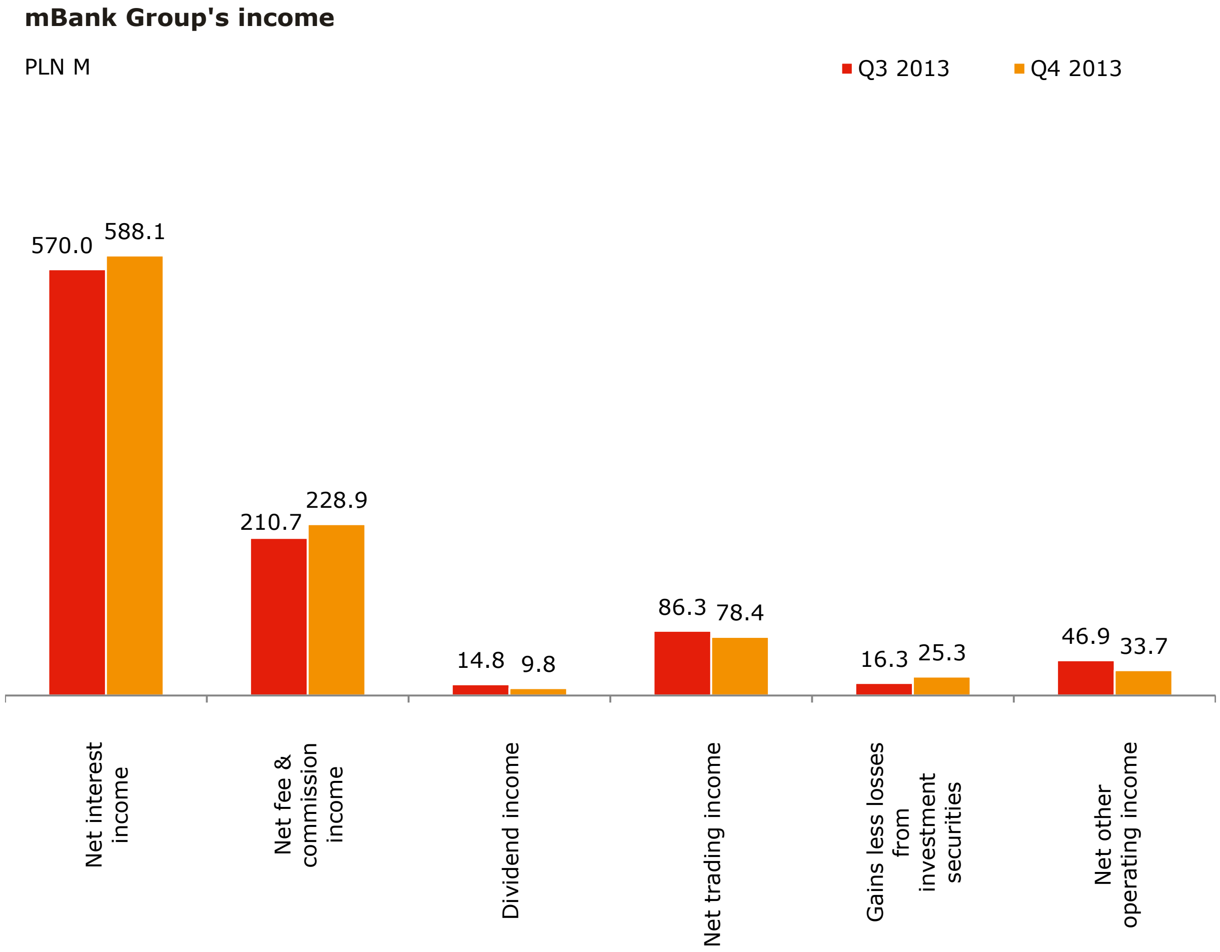
Financial Results of mBank Group

mBank Group generated a profit before income tax of PLN 405.5 million in Q4 2013 or +14.4% QoQ. Net profit attributable to the shareholders of mBank grew by 8.9% QoQ to PLN 314.2 million.



Income of mBank Group

Total income of mBank Group in Q4 2013, stood at PLN 964.2 million, which represents an increase of PLN 19.2 million or 2.0% QoQ.



Net interest income remained the Group's largest revenue source and reached PLN 588.1 million in Q4 2013, which was higher by PLN 18.1 million or 3.2% compared to Q3 2013.

Interest income decreased by PLN 13.8 million or 1.4% QoQ and reached PLN 945.3 million in Q4 2013. Loans and advances remained the main source of interest income (72.5%). Interest income from loans and advances decreased by PLN 3.8 million or 0.6% QoQ to PLN 685.6 million, mainly due to lower credit volumes in Q4 2013. In the reported period, interest income from investment securities declined by PLN 5.8 million or 2.7%, while interest income from debt securities held for trading decreased by PLN 1.0 million or 9.5%.

In Q4 2013, the interest expense on client deposits decreased by PLN 32.0 million or 13.5% mainly driven by the continuation of the Bank's proactive policy of deposit pricing. The second largest interest cost driver was once again the cost arising from amounts due to banks, which declined by PLN 5.3 million or 8.2% QoQ. Interest cost on issued debt securities remained stable compared to Q3 2013.

Net interest margin stood at 2.2% at the end of Q4 2013.

Net fee and commission income in Q4 2013 stood at PLN 228.9 million, which represents an increase of PLN 18.2 million or 8.6% compared to Q3 2013.

Fee and commission income in Q4 2013 increased by PLN 13.0 million or 3.9% QoQ and stood at PLN 344.8 million. Fees from brokerage activities increased by PLN 5.6 million or 26.7% QoQ supported by higher revenues from primary market activities, including 3 IPOs. Fees and commissions from credit cards remained stable compared to the previous quarter, while credit related fees and commissions decreased by PLN 2.5 million or 4.5% QoQ. Fees and commissions for sales of products of external financial entities were up by PLN 5.0 million or 26.2% in Q4 2013.

Fee and commission costs in Q4 2013 were lower compared to Q3 2013 and amounted to PLN 115.9 million (PLN 121.1 million in Q3 2013). The cost of payment card processing and insurance decreased by PLN 4.0 million or 7.1% QoQ, while fees from brokerage activities were down by PLN 4.6 million or 65.7%.

Dividend income of mBank Group in Q4 2013 amounted to PLN 9.8 million mainly driven by an additional dividend received from PZU S.A.

Trading income stood at PLN 78.4 million in Q4 2013 and decreased by 9.2% QoQ. The Group's FX income decreased by PLN 4.3 million or 6.0%, driven predominantly by lower activity of corporate customers. Other trading income decreased by PLN 3.5 million or 24.0% due to lower profits realized on interest rate derivatives.

Gains less loses on investment securities and on investments in subsidiaries and affiliates reached PLN 25.3 million, which represents an increase by PLN 8.9 million QoQ due to higher profit on government bonds sales.

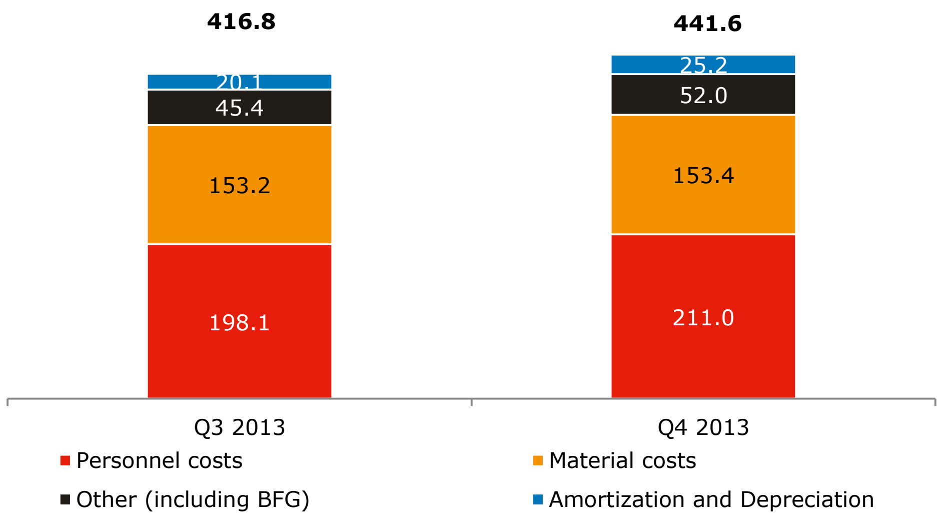
Net other operating income and costs (other operating income less other operating expenses) stood at PLN 33.7 million in Q4 2013, compared to PLN 46.9 million in Q3 2013, mainly due to a PLN 9.5 million of VAT refund granted to mLeasing and a lower income from insurance activity.

Overhead Costs of mBank Group

Overhead costs of mBank Group including amortisation and depreciation stood at PLN 441.6 million in Q4 2013, which represents an increase by PLN 24.8 million or 6.0% QoQ. Effective cost management allowed the Group to maintain its efficiency measured by the cost/income ratio at a stable level on quarter-on-quarter basis.

Overhead costs and amortization

PLN M



Personnel costs increased by PLN 12.9 million or 6.5%. QoQ. The increase was mainly driven by an increase of payroll costs on higher provisions for incentive bonuses. The headcount of mBank Group increased by 21 FTEs in Q4 2013, mainly driven by additional FTEs in front office activities.

mBank Group Headcount	30.09.2013	31.12.2013	% change QoQ
FTE	6,052	6,073	+0.3%

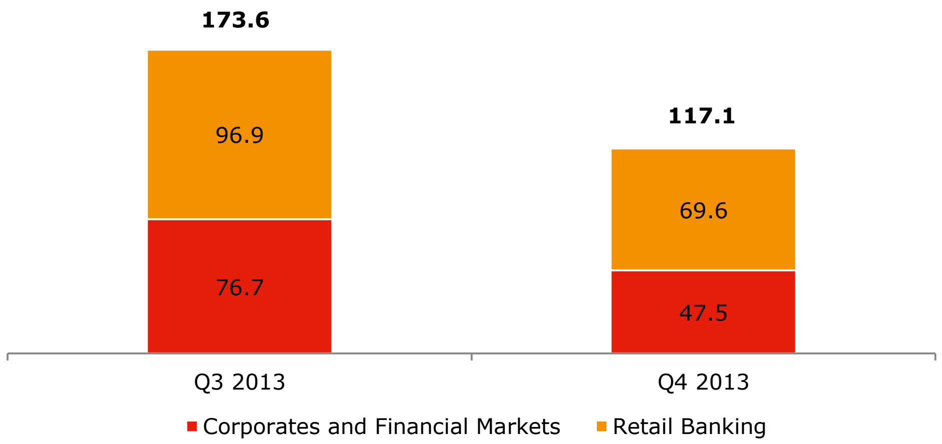
Material costs of the Group remained stable compared to the previous quarter. In the reporting period, logistics and legal costs increased while marketing costs were down. Other costs increased by PLN 5.1 million or 25.4% driven by the new prudential fees introduced by the Bank Guarantee Fund (BFG) in November 2013, which amounted to 0.009% of bank's risk weighted assets. As a result, cost of BFG fees increased from PLN 13.4 million in Q3 2013 to PLN 18.0 million.

Net impairment Losses on Loans and Advances

Net impairment losses on loans and advances of the Group stood at PLN 117.1 million in Q4 2013, which represents a decrease by PLN 56.5 million QoQ.

Net impairment losses on loans and advances

PLN M



Net impairment losses on loans and advances in Retail Banking stood at PLN 69.6 million in Q4 2013 compared to PLN 96.9 million in Q3 2013.

Net impairment losses on loans and advances in Corporates and Financial Markets stood at PLN 47.5 million in Q4 2013, which represents a PLN 29.2 million decrease compared to Q3 2013.

Consolidated Statement of Financial Position

Total assets of mBank Group stood at PLN 104,282.8 million at the end of Q4 2013, which represents an increase by PLN 282.7 million or 0.3% QoQ.

Assets of mBank Group

Loans and advances to customers remained the largest asset category of the Group at the end of Q4 2013. Their share in total assets decreased modestly to 65.4% compared to 66.4% at the end of Q3 2013. Net loans and advances to customers stood at PLN 68,210.4 million in Q4 2013 and decreased by 996.3 million or 1.4% QoQ (excluding reverse repo / buy sell back transactions and the FX effect, net loans and advances decreased by 0.7%).

Gross loans and advances to corporate clients decreased to PLN 29,475.3 million, i.e. by PLN 735.7 million or 2.4% (excluding reverse repo / buy sell back transactions and the FX effect, the volume of loans and advances to corporate clients decreased by ca. 3.0% QoQ). The volume of loans to individuals was down by PLN 547.5 million or 1.4% QoQ to PLN 38,307.9 million. Excluding the FX effect, loans to individuals increased by approximately 0.2%. Gross loans and advances to the public sector stood at PLN 2,178.0 million in Q4 2013, and were down by PLN 175.4 million or 7.5% compared to Q3 2013.

Investment securities were the Bank's second largest asset category at the end of Q4 2013 and stood at PLN 25,341.8 million or 24.3% of total assets. The value of investment securities increased by PLN 447.4 million or 1.8% compared to Q3 2013. Moreover, in the reporting period the portfolio of government bonds increased while the portfolio of securities issued by the central bank decreased.

Liabilities of mBank Group

Amounts due to customers, which are the Group's principal source of funding, increased by PLN 1,588.4 million or 2.6% in Q3 2013 (excluding repo transactions, amounts due to customers increased by 0.6%). At the end of December 2013, they amounted to PLN 61,673.5 million, representing 65.6% of total liabilities.

Amounts due to corporate clients increased by PLN 117.2 million or 0.4% to PLN 26,752.9 million at the end of Q4 2013. Excluding repo transactions, amounts due to corporate clients decreased by 4.9%. Amounts due to retail clients increased by PLN 1,608.2 million or 4.9% to PLN 34,203.1 million in Q4 2013 mainly due to higher volumes of term deposits. Amounts due to the public sector stood at PLN 717.5 million, which represents a drop by PLN 137.0 million or 16.0%.

Amounts due to banks stood at PLN 19,224.2 million at the end of Q4 2013, representing 20.4% of total liabilities. Compared to Q3 2013, amounts due to banks declined by PLN 2,192.0 million or 10.2%. The change resulted from the repayment of two loans granted to mBank by Commerzbank in the amount of CHF 480 million and USD 100 million respectively.

The share of equity attributable to the shareholders of mBank in total liabilities of mBank Group accounted for 9.8% at the end of December 2013, compared to 9.5% at the end of September 2013. At the end of December 2013, equity attributable to the shareholders of mBank amounted to PLN 10,229.3 million (PLN +365.8 million or +3.7%).

Changes in the methodology for calculating impaired receivables

At the end of November 2013, mBank brought credit risk parameters used for the impairment valuation in the retail banking area into compliance with analogous parameters applied under the AIRB methodology after having eliminated differences between the approach under the IFRS 39 and the principles of Basel II. The main difference lied in the identification of default. Under the new estimates, a default is identified based on all available credit data of the client ('client view'), whereas the old approach was entirely product-based ('product view').

The more conservative approach led to:

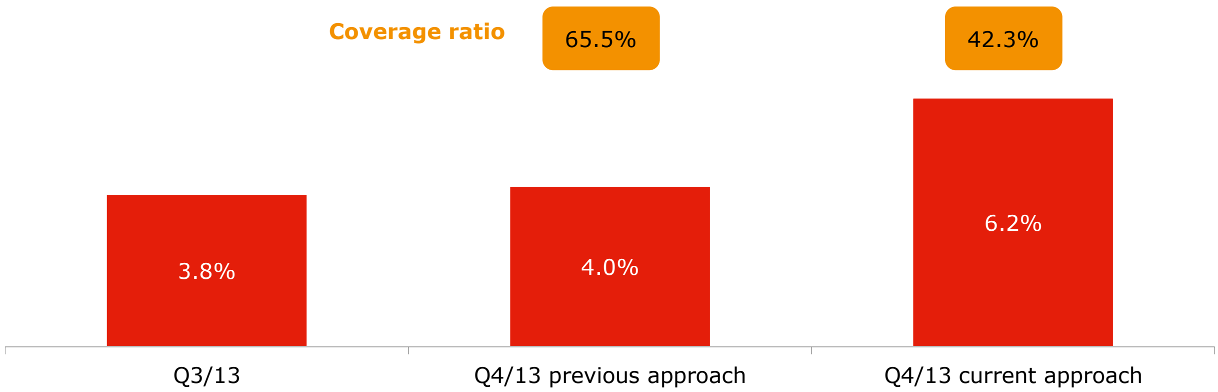
- earlier identification of impaired status and consequently, higher volume of impaired loan portfolio;

- higher estimates of recoveries from the portfolio due to a higher rate of return to a normal situation by clients prudentially classified as defaulting on their credit obligations.

As a result of the above changes a default on one of exposures by a single client leads to the same treatment of all other credit products of that client. Previously, a default on a specific exposure by a client did not automatically impact the risk treatment of the remaining exposures of that client. Consequently, a larger amount of impaired loans is reported on the Group level, at the same time benefiting from significantly higher profitability of natural recovery. Similiarly aggregation of past due amounts from all credit products and recognition of the oldest past due date result in a significant increase of the impaired loans volume.

The LLP impact of the methodology alignment is not material, however it translates into higher volume of impaired loans, which leads to a lower adjusted provisioning coverage ratio. All the above mentioned changes impacted Retail Banking segment and are presented on the following chart.

NPL ratio and coverage ratio of Retail Banking



Quality of the loan portfolio of mBank Group

On December 31, 2013, receivables with impairment increased by 15.1% compared to Q3 2013. Consequently, the ratio of impaired loans (NPL) increased from 5.3% in Q3 2013 to 6.2% in Q4 2013.

Provisions for loans and advances to clients decreased by PLN 389.5 million QoQ to PLN 2,371.4 million, including PLN 2,114.9 million in provisions for impaired receivables (compared to PLN 2,548.3 million in Q3 2013). Additionally, Incurred But Not Identified provisions (IBNI) increased from PLN 212.5 million in Q3 2013 to PLN 256.6 million in Q4 2013.

The ratio of provisions to impaired loans (including Incurred but Not identified provisions) decreased from 72.0% in Q3 2013 to 53.8% at the end of Q4 2013.

Above mentioned amendments in the indicators of the quality of the loan portfolio are a result of changes in the methodology of NPL calculation.

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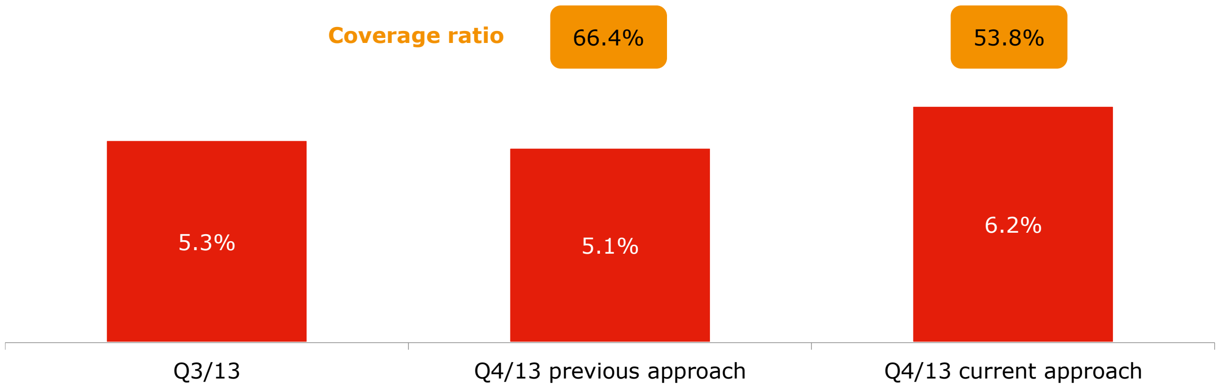
mBank Group's NPL ratio and coverage ratio



Performance Indicators

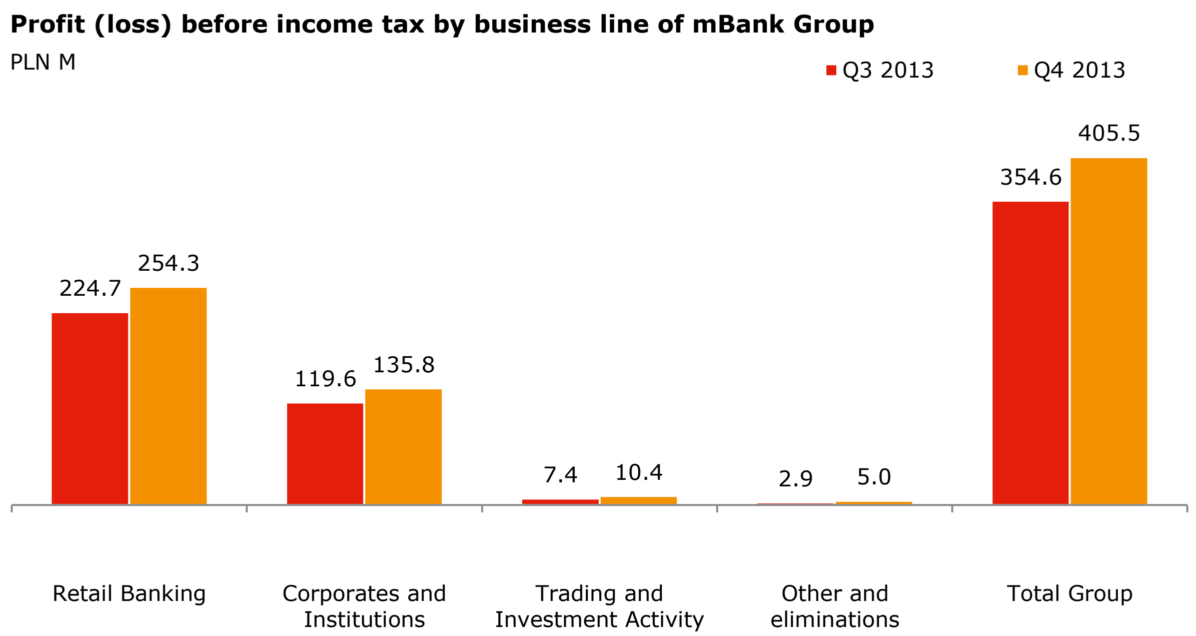
The key performance indicators of mBank Group were as follows:

	30.09.2013	31.12.2013
ROA net	1.11	1.14
ROE pre-tax	15.6	16.5
ROE net	12.6	13.1
Cost/Income Ratio	45.6%	45.7%
Core Tier 1 ratio	14.02%	14.21%
Capital Adequacy Ratio	19.17%	19.38%

ROA net = net profit (including non-controlling interests)/total assets;
ROE pre-tax =profit before income tax/equity (including non-controlling interests, excluding current year's profit);
ROE net = net profit (including non-controlling interests)/equity (including non-controlling interests, excluding current year's profit);
C/I = overhead costs + depreciation/total income (including net other operating income/costs);
Capital Adequacy Ratio = own funds (core funds and supplementary funds after deductions)/risk weighted assets;
Core Tier 1 Ratio = core funds after deductions/risk weighted assets.

Performance of the business segments and business lines

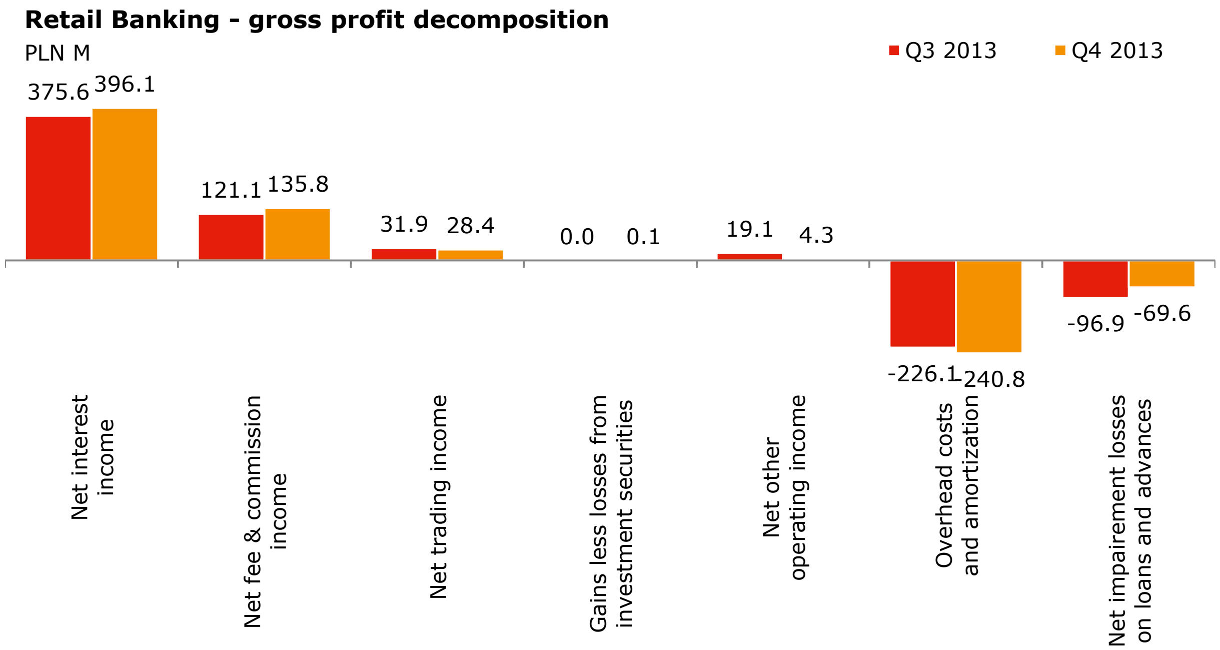
In Q4 2013, the segment of Retail Banking had the largest share in the Group's profit before income tax and its contribution reached 62.7% at the end of Q4 2013. The contribution of Corporates and Financial Markets constituted 36.1% and covered the result of Corporates and Institutions (33.5%) and Trading and Investment Activity (2.6%).



Retail Banking

Summary of Segment Results

In Q4 2013, the Retail Banking segment generated a profit before income tax of PLN 254.3 million, up by PLN 29.6 million or 13.2% QoQ.



The profit before income tax of Retail Banking in Q4 2013 was predominantly driven by:

- **Increase of total income** by PLN 17.0 million 3.1% QoQ to PLN 564.7 million. Net interest income improved by PLN 20.5 million or 5.5%, while net fee and commission income increased by PLN 14.7 million or 12.1%.
- **Increase of overhead costs including amortisation and depreciation** by PLN 14.7 million or 6.5% QoQ to PLN 240.8 million, mainly due to higher personnel costs.

- **Decrease of net impairment losses on loans and advances** compared to Q3 2013 by PLN 27.3 million mainly due to lower provisions for loans in retail banking and in mBank Hipoteczny.

Retail Operations in Poland (including Private Banking)

Customers

mBank's Retail Banking in Poland had 3,695.3 thousand customers at the end of Q4 2013. The number of new customers acquired in Q4 2013 reached 31.7 thousand (+0.9%) QoQ and 167.2 thousand (+4.7%) YoY.

Deposits and Investment Funds

Retail Banking deposits stood at PLN 29,047.7 million at the end of December 2013, which represents an increase of PLN 1,852.6 million or 6.8% QoQ and a decrease of PLN 426.0 million or 1.4% YoY.

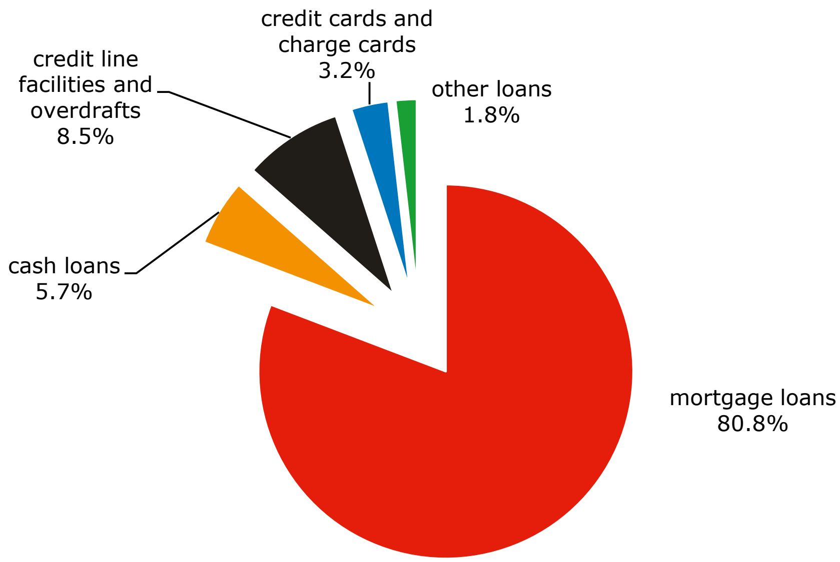
The increase of the deposit base was accompanied by the growth in assets under management of mBank retail customers. These stood at PLN 4,483 at the end of December 2013, up by PLN 489.5 million or 12.3% QoQ.

Loans

Net loans granted to retail clients stood at PLN 35,804.5 million at the end of December 2013. In Q4 2013, loans decreased by PLN 507.5 million or 1.4% QoQ.

The structure of the loan portfolio was as follows:

Retail loan portfolio composition in Poland



Mortgage loans granted to retail customers stood at PLN 28,919.6 million at the end of Q4 2013. The main parameters of the mortgage loans portfolio are presented below:

Mortgage loans to households (excluding Private Banking)	Total
Balance-sheet value (PLN billion)	26.5
Average maturity (years)	20.8
Average value (PLN thousand)	273.4
Average LTV (%)	78.4
NPL (%)	2.2

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Cards

The number of credit cards issued by the Bank until the end of Q4 2013 stood at 757.7 thousand. In Q4 2013, the number of new credit cards issued by mBank reached 12.8 thousand.

The number of debit cards issued until the end of Q4 2013 stood at 5,683.6 thousand increasing by 116.5 thousand QoQ.

Distribution Network

Aspiro (managing mBank' s distribution network)	■ 24 Financial Centres ■ 69 mKiosks ■ 21 Agent Service Points
former MultiBank	■ 71 Financial Services Centres ■ 62 Partner Outlets

Retail Banking offer development and key highlights

In Q4 2013, the Bank observed increased client interest in deposit products. At the same time, investment products still enjoyed high popularity. This was, on the one hand, attributable to actions undertaken by the Bank and, on the other hand, driven by market factors. Of them, the positive sentiment on the investment fund market and several successful IPOs were especially important.

Consequently, the Bank strengthened its position in investment and savings area. The following achievements and products marked the developments in Q4 2013:

- 8 IPOs, including two large privatisation offerings (PKP Cargo S.A. and Energa S.A.), where the participation of mBank Group's clients reached record levels, exceeding 30% of the total number of subscriptions by individual investors;
- new deposit products:
  - investment deposit **"Variety Basket"** - based on prices of commodities, such as cocoa, coffee and sugar;
  - structured deposit **"Born Winners"** - based on valuations of 5 listed companies;
  - structured deposit **"Lions of the Trading Floor II"** - based on the WIG20 index;
  - deposit **"Autumn Treasures"** - for new funds;
- subscription of investment certificates of a closed-end investment fund (Legg Mason Akcji Skoncentrowany and PKO Globalnej Strategii).

Furthermore, the Bank launched a **two-in-one card**, a combination of a credit card and a cash loan, and new insurance products **"Your Third Party Liability Insurance"** and **"Your Journey"** for credit cards issued to individual clients (over 2,000 insured).

Finally, in December 2013, the number of **card transactions** made by mBank's clients reached a record level -with the number of authorizations exceeded 1 million on December 23, 2013.

mBank in Czech Republic (CZ) and Slovakia (SK)

Customers

mBank in the Czech Republic and Slovakia had 673.1 thousand customers at the end of December 2013 (486.4 thousand at mBank CZ and 186.7 thousand at mBank SK). The number of customers of mBank's foreign operations grew by 10.4 thousand in Q4 2013.

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Deposits

Deposits in the Czech Republic and Slovakia stood at PLN 4,850.2 million at the end of Q4 2013 (PLN 3,076.8 million at mBank CZ, PLN 1,773.4 million at mBank SK), which represents a decrease by PLN 155.9 million or 3.1% QoQ.

Loans

Loans in the Czech Republic and Slovakia amounted to PLN 2,115.4 million at the end of Q4 2013 (PLN 1,699.9 million at mBank CZ, PLN 415.4 million at mBank SK), which constitutes a decrease by PLN 23.1 million or 1.1% QoQ.

Distribution Network

mBank CZ	■ 9 Financial Centres ■ 17 mKiosks		■ 4 Financial Centres ■ 5 mKiosks	**mBank SK**

<u>Subsidiaries of the Retail Banking area</u>

BRE TUiR S.A., BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o.

In the direct area, premiums written decreased by 5.0% QoQ (from PLN 39.5 million to PLN 37.5 million), while in the bancassurance area, premiums written reached PLN 63.0 million (excluding investment products), which represents a 5.0% decrease QoQ.

In Q4 2013, the company generated a profit before income tax of PLN 13.0 million, representing a decrease by PLN 5.7 million or 30.7% QoQ. In the last 3 months of 2013, the Group reported a growth in profit on insurance linked to cards, bank accounts and stand-alone insurance. The decrease in profit on insurance related to mortgage loans was driven by lower lending by the Bank in that particular product area, cash loan insurance and car insurance.

Aspiro S.A.

In Q4 2013, Aspiro offered products of 25 different financial companies, including those of retail services of mBank. The offering covered 54 products, including mortgage loans, cash loans, insurance products, investment products, leasing and factoring.

In Q4 2013, Aspiro reported growth in the sales of mortgage loans (+7.8%) and a slight decrease in the sales of investment products (-6.9%) compared to Q3 2013. At the same time, the sales of cash loans dropped by 13.2% QoQ. The sales of car loans was up by 5.7% compared to the previous quarter.

In Q4 2013, Aspiro reported pre-tax loss of PLN 0.9 million compared to a PLN 0.9 million profit in Q3 2013 due to a seasonal slowdown in sales and higher operating costs.

mWealth Management S.A. (formerly BRE Wealth Management S.A.)

At the end of Q4 2013, the company held assets under management worth PLN 4.8 billion, which represents an increase of PLN 107.5 million or 2.3% compared to Q3 2013.

In Q4 2013, the company's operating revenues stood at PLN 12.5 million and increased by 52.8% QoQ. The company's profit before income tax reached PLN 6.2 million compared to PLN 4.5 million in Q3 2013.

mBank Hipoteczny S.A. (formerly BRE Bank Hipoteczny S.A.)

mBank Hipoteczny (mBH) specialises in offering mortgage loans to commercial and residential developers as well as local governments. The company is the largest issuer of mortgage and public covered bonds to finance its lending operations.

mBH's gross loan portfolio remained almost unchanged compared to the level reported at the end of 2012 and amounted to PLN 4.1 billion (-0.8%). At the end of Q4 2013, the nominal value of covered bonds issued by mBH amounted to PLN 2.3 billion, including covered bonds with a value of EUR 50 million issued in Q4 2013.

In Q4 2013, mBH reported a profit before income tax of PLN 2.1 million compared to a pre-tax loss of PLN 7.2 million in Q3 2013, mainly driven by a decrease of impairment losses.

Corporates and Financial Markets

Historically, the Corporates and Financial Markets segment included two business lines: Corporates and Institutions which covered the key area of customer relations, and Trading and Investment Activity connected with managing liquidity, market risk and relations with financial institutions.

In the second half of 2013, the scope of operations and the names of both business lines were changed to reflect the re-organization of these activities.

The scope of activities of Corporates and Institutions was extended to include investment banking services for corporates, i.e. the raising of capital through the issue of shares, issue of corporate bonds and M&A advisory and therefore its name was changed to Corporate and Investment Banking.

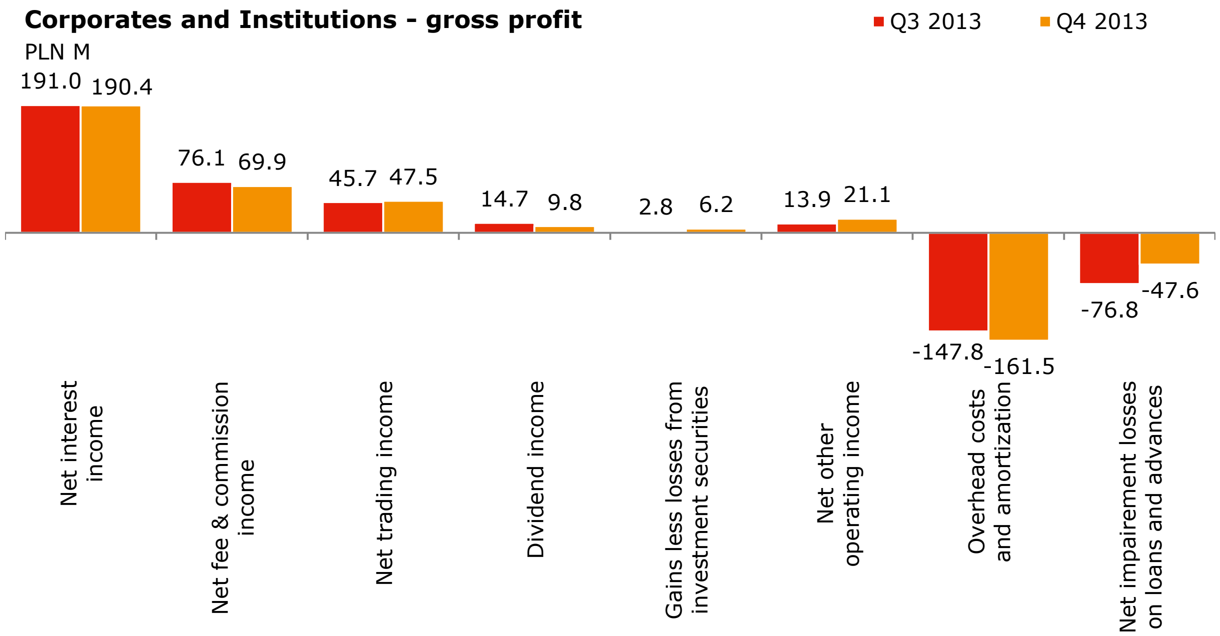
Moreover, to allow a clear identification of the scope of operation connected with financial market operations, Trading and Investment Activity was renamed to Financial Markets.

Taking into consideration that the above changes took place during the year, the financial statements for 2013 present the previous organizational structure. The relevant changes will be introduced to the Group's reporting starting from Q1 2014.

Corporates and Institutions

Summary of Segment Results

In Q4 2013 Corporates and Institutions generated a profit before income tax of PLN 135.8 million, up by PLN 16.2 million or 13.5% QoQ.



The profit before income tax of Corporates and Institutions in Q4 2013 was predominantly driven by:

- **Stable total income** of PLN 344.9 million compared to PLN 344.2 million in Q3 2013. Net interest income remained barely unchanged compared to Q3 2013 (PLN 190.4 million v. PLN 191.0 million in Q3 2013). Net fee and commission income decreased by PLN 6.2 million or 8.1% due to lower credit related fees and commissions. In the reporting period net trading income was up by PLN 1.8 million or 3.9%. Moreover, the results of Corporates and Institutions in Q4 2013 were positively influenced by the additional dividend paid by PZU, higher income on investment securities sales and higher other operating income.

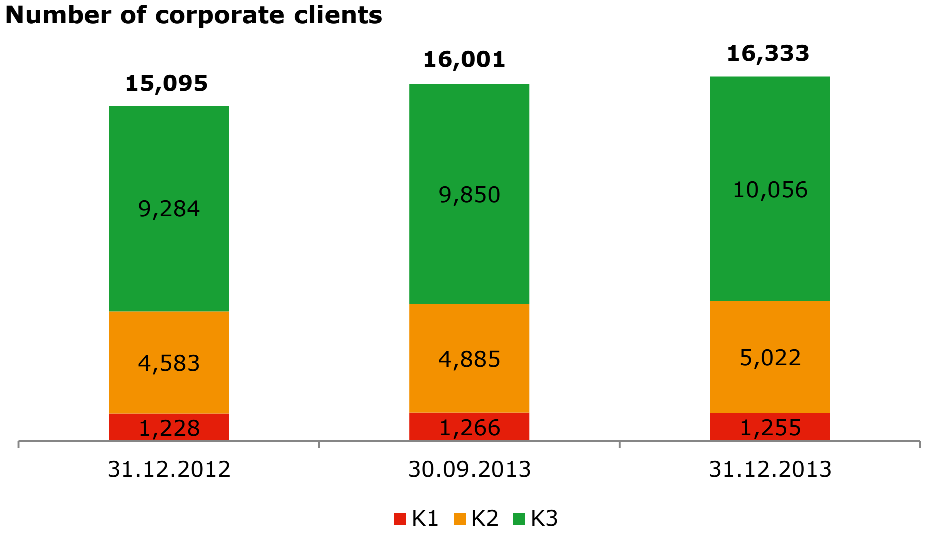
- **Increase of overhead costs including amortization and depreciation** by PLN 13.7 million or 9.3% QoQ to PLN 161.5 million. The increase was driven by a growth in personnel and material costs.

- **Decrease of net impairment losses on loans and advances** by PLN 29.2 million or 38.0% to PLN 47.6 million.

Number of Corporate Customers

The total number of corporate customers stood at 16,333 at the end of December 2013, which constitutes an increase by 1,238 customers YoY.

The following chart presents additional details on the Bank's corporate clients structure:



K1 is the segment of the largest corporations with annual sales over PLN 500 million;
K2 is the segment of corporations with annual sales between PLN 30 and 500 million;
K3 is the segment of SMEs with annual sales between PLN 3 and 30 million.

Corporate Deposits

Deposits placed by corporate customers with mBank stood at PLN 24,555 million at the end of December 2013 and were down by 1.0% QoQ and up by 11.5% YoY.

Deposits placed by enterprises stood at PLN 17,972 million at the end of December 2013 and were down by 5.1% QoQ and up by 4.6% YoY.

Deposits placed by local governments stood at PLN 179.4 million at the end of Q4 2013 and was down by 52.0% QoQ and up by 58.4% YoY

Corporate Loans

Loans granted to corporate clients by mBank reached PLN 26,281 million at the end of December 2013 and were down by 2.6% QoQ and up by 4.5% YoY.

Loans to enterprises stood at PLN 15,765 million at the end of December 2013 and were down by 6.5% QoQ and down by 4.7% YoY. In Q4 2013, the market share of mBank's lending slightly decreased from 6.2% in Q3 2013 to 5.9%. The loan to deposit ratio for enterprises reached 87.7% and was considerably lower compared to the market average of 123.4%.

Loans granted to local governments totalled PLN 1,469 million at the end of December 2013 and were down by 8.1% QoQ and down by 19.7% YoY.

Development of the Corporate Banking offer

- **Cards without an account agreement** - cards offered to clients who did not sign an Integrated Bank Account Agreement but are willing to use products offered by mBank. Within this project, the Bank offers 7 types of prepaid cards issued as Electronic Money Instrument, settled in zlotys and in foreign currency (with standard or personalized graphics);

- in November 2013, the Bank pioneered in launching mobile banking for corporate clients - **mBank CompanyMobile**. It offers a comprehensive solution ensuring full control over the company's finance with the use of a smartphone or tablet. mBank CompanyMobile is available on 4 operating systems

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

(Android, IOS, Windows phone, BlackBerry). The new solution ensures swift authorisation of orders and access to key information necessary to manage the company's finance.

Cash Management

Development of transactional banking in Q4 2013 is illustrated by the following figures:

- the number of domestic transfers made by corporate clients amounted to 17.4 million, which represents an increase by 16.4% QoQ and by 9.6% YoY;
- the number of foreign transfers made by corporate clients amounted to 170.4 thousand, which represents an increase by 6.2% QoQ and by 17.5% YoY;
- the total number of corporate cards issued in 2013 was higher by 114.6% compared to the end of 2012; the most dynamic growth was observed in prepaid cards (+118.8% YoY);
- over 833 thousand cards were issued as Electronic Money Instrument at the end of December 2013;
- the number of mBank CompanyNet clients increased by 3.0% QoQ and 14.8% YoY. Currently, there are 70,147 active authorizations allowing the entitled employees of mBank's clients to co-operate with the Bank.

Distribution summary

29	Corporate Branches		Corporate Offices	18

<u>Subsidiaries of Corporates and Institutions</u>

mLeasing Sp. z o.o. (formerly BRE Leasing Sp. z o.o.)

The value of leasing contracts concluded by mLeasing in Q4 2013 was related to both the movables sector – PLN 618.3 million (+16.8% QoQ) and the real estate segment – PLN 30.1 million (in Q3 2013 no leasing contracts in the real estate market were concluded). Consequently, the market share of the company stood at 5.9% (5.9% in the movables market and 5.6% in the real estate market).

The profit before income tax in Q4 2013 stood at PLN 18.3 million, which represents a decrease by 14.1% compared to Q3 2013, mainly driven by higher cost of risk.

mFaktoring S.A. (formerly BRE Faktoring S.A.)

mFaktoring generated sales of PLN 2.3 billion in Q4 2013, which represents an increase by 2.4% QoQ. The company maintained its seventh position on the market.

mFaktoring's profit before income tax in Q4 2013 reached PLN 5.4 million compared to PLN 5.1 million in Q3 2013 (+5.9%), driven by increasing fee and commission income and lower cost of risk.

Transfinance a.s.

Transfinance provides factoring services to small and medium sized enterprises in the Czech Republic. In Q4 2013 the company recorded a turnover increase to the level of PLN 1.2 billion (+7.9% QoQ), driven by increases in all types of factoring operations and maintained its fourth position on the market.

The company's profit before income tax in Q4 2013 amounted to PLN 1.2 million, compared to PLN 1.0 million in Q3 2013.

MLV 45 Sp. z o.o. Sp. k. (formerly BRE Holding Sp. z o.o.)

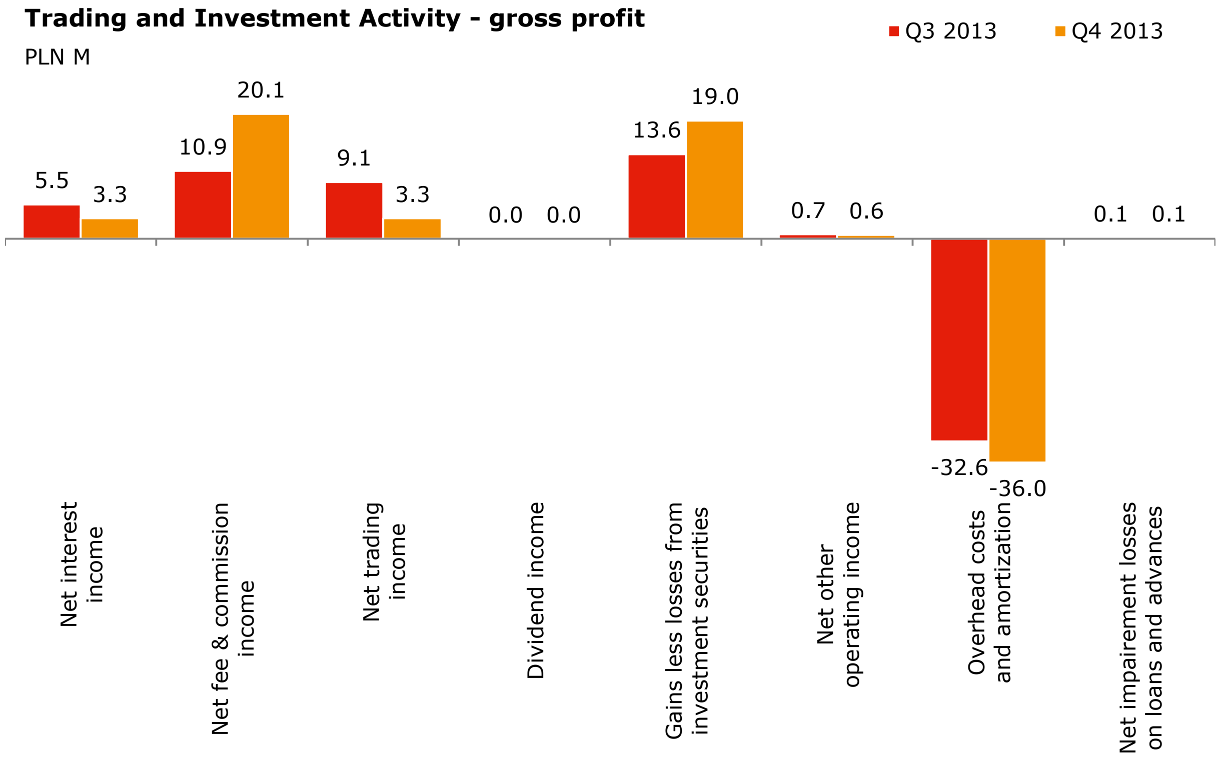
MLV 45 is a company established as a result of the transformation of BRE Holding Sp. z o.o. into a limited partnership company in Q3 2013. The assets of the company comprise shares in mBank Hipoteczny S.A., mFaktoring S.A., mLeasing S.A. and mLocum S.A.

In Q4 2013, the company generated a pre-tax loss of PLN 29 thousand compared to a loss of PLN 79 thousand in Q3 2013.

Trading and Investment Activity

Summary of Segment Results

In Q4 2013, Trading and Investment Activity segment generated a profit before income tax of PLN 10.4 million compared to PLN 7.4 million in Q3 2013.



The profit before income tax of Trading and Investment Activity in Q4 2013 was predominantly driven by:

- **Increase of total income** by PLN 6.5 million or 16.3% QoQ to PLN 46.3 million**.** Net interest income grew by PLN 2.2 million or 40.0% to PLN 3.3 million. Net fee and commission income improved by PLN 9.2 million or 84.4% QoQ. Net trading income decreased to PLN 3.3 million (PLN -5.8 million or -63.7% QoQ), mainly due to reduced profit on interest rate derivatives.

- **Increase of overhead costs including amortisation and depreciation** by PLN 3.4 million or 10.4%, mainly driven by higher personnel and material costs.

Market position

mBank ranked first in mid-term bank debt securities issuance with a market share of 31.7%, third in mid-term corporate bonds issuance with a market share of 13.7% and third in the market for arranging short-term debt securities with a market share of 15.1% (all data as at the end of December 2013).

The Bank remains very active in trading of financial instruments. Its market share stood at ca. 25.2% in interest rate derivatives, treasury bonds and bills trading stood at 10.9% and in trading in FX spot and forward instruments stood at 10.7% (data as at the end of November 2013).

Subsidiaries of the Trading and Investment Activity

Dom Maklerski mBanku S.A. (formerly Dom Inwestycyjny BRE Banku S.A.)

The market share of Dom Maklerski mBanku (mDM) in equities trading stood at 4.1% in Q4 2013, equivalent to the position of the seventh biggest market participant. The activity of mDM in futures trading gave it the second position on the market and a market share of 16.1% in Q4 2013. mDM is still a market leader in options trading with a market share of 18.5%.

The number of clients of mDM stood at 295.5 thousand at the end of Q4 2013 and increased by 6.4 thousand QoQ.

In Q4 2013, the company (acting as the offering side) arranged 3 IPOs totaling PLN 247.3 million (Capital Park S.A., Elemental S.A and VISTAL Gdynia), as well as took part in the IPO of ENERGA acting as an offer manager.

The company generated a profit before income tax of PLN 11.5 million in Q4 2013, compared to PLN 5.9 million in Q3 2013 due higher fee and commission income resulting from IPO transactions and FX market.

BRE Finance France S.A. (BFF)

BRE Finance France is a special purpose vehicle set up for the purpose of acquiring funds on the international markets through the issue of Eurobonds. In April 2012, the Euro Medium Term Note Programme was renewed. In September 2013, BRE Finance France issued Eurobonds with a nominal value of CHF 200 million, maturing in 2018 (settled in October 2013) and in November 2013, the company issued CZK 500 million bonds maturing in 2018 (in form of a "private placement").

In Q4 2013, the company reported a profit before income tax of PLN 86 thousand compared to PLN 19 thousand pre-tax loss a quarter earlier.

Other subsidiaries

mCentrum Operacji sp. z o.o. (formerly BRE Centrum Operacji sp. z o.o.)

mCentrum Operacji (mCO) supports back-office processes for mBank Group subsidiaries, related to settlements, mail room services, database and archive services.

In Q4 2013, mCO generated a pre-tax loss of PLN 10.9 thousand compared to PLN 470.0 thousand of profit before income tax in Q3 2013. The loss was driven by higher operating costs especially costs of external services related to annual technical inspections of the company's locations, while revenues from sales to mBank increased by PLN 0.8 million QoQ.

mLocum S.A. (formerly BRE.locum S.A.)

mLocum is a property developer operating on the primary market for residential estate. The company carries out residential projects in major Polish cities, i.e. Kraków, Łódź, Wrocław, Warszawa, Poznań and Sopot. At the end of 2013, the company was offering 485 apartments and commercial real estates.

In Q4 2013, the company sold 72 apartments in comparison to 82 apartments sold in Q3 2013.

In the reporting period, mLocum reported a profit before income tax of PLN 3.6 million compared to PLN 5.6 million a quarter earlier.

BDH Development Sp. z o.o.

In November 2013, mBank purchased 100% of shares in BDH Development Sp. z o.o.

The company's business consists in carrying out and completing construction projects connected with the real estate took over by mBank Group subsidiaries in the process of restructuring and investment debt collection with the aim of the most effective recovery from the estate taken over.

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

Consolidated income statement

	Note	4th Quarter (current year) period from 01.10.2013 to 31.12.2013	4 Quarters (current year) period from 01.01.2013 to 31.12.2013	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 restated	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 restated
Interest income	5	945 265	3 949 971	1 173 560	4 523 117
Interest expense	5	(357 169)	(1 724 160)	(604 536)	(2 243 520)
Net interest income		**588 096**	**2 225 811**	**569 024**	**2 279 597**
Fee and commission income	6	344 760	1 303 834	299 584	1 216 879
Fee and commission expense	6	(115 856)	(469 096)	(113 874)	(430 333)
Net fee and commission income		**228 904**	**834 738**	**185 710**	**786 546**
Dividend income	7	9 779	26 856	49	13 902
Net trading income, including:	8	78 438	342 978	76 079	356 542
Foreign exchange result		*67 387*	*282 545*	*80 928*	*324 006*
Other trading income and result on hedge accounting		*11 051*	*60 433*	*(4 849)*	*32 536*
Gains less losses from investment securities, investments in subsidiaries and associates	9	25 276	78 578	3 082	44 966
Other operating income	10	104 483	374 821	90 355	275 721
Net impairment losses on loans and advances	11	(117 080)	(477 778)	(88 987)	(444 635)
Overhead costs	12	(389 605)	(1 490 153)	(382 591)	(1 465 714)
Amortization and depreciation		(52 031)	(187 890)	(51 375)	(195 617)
Other operating expenses	13	(70 738)	(210 258)	(97 453)	(186 500)
Operating profit		**405 522**	**1 517 703**	**303 893**	**1 464 808**
Profit before income tax		**405 522**	**1 517 703**	**303 893**	**1 464 808**
Income tax expense		(90 744)	(308 725)	(27 530)	(266 906)
Net profit		**314 778**	**1 208 978**	**276 363**	**1 197 902**
Net profit attributable to:					
- Owners of mBank S.A.		314 200	1 206 375	275 803	1 197 321
- Non-controlling interests		578	2 603	560	581

Net profit attributable to Owners of mBank S.A.			**1 206 375**		**1 197 321**
Weighted average number of ordinary shares	14		**42 155 456**		**42 118 904**
Basic earnings per share (in PLN)	14		**28.62**		**28.43**
Weighted average number of ordinary shares for diluted earnings	14		**42 167 491**		**42 158 632**
Diluted earnings per share (in PLN)	14		**28.61**		**28.40**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

Consolidated statement of comprehensive income

	4th Quarter (current year) period from 01.10.2013 to 31.12.2013	4 Quarters (current year) period from 01.01.2013 to 31.12.2013	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 restated	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 restated
Net profit	**314 778**	**1 208 978**	**276 363**	**1 197 902**
Other comprehensive income net of tax, including:	**46 243**	**(165 942)**	**248 283**	**422 223**
Items that may be reclassified subsequentlyto the the income statement				
Exchange differences on translation of foreign operations (net)	(2 486)	(2 116)	276	(1 815)
Change in valuation of available for sale financial assets (net)	49 438	(163 117)	247 782	423 813
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits	(709)	(709)	225	225
Total comprehensive income net of tax, total	**361 021**	**1 043 036**	**524 646**	**1 620 125**
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	360 443	1 040 433	524 086	1 619 544
- Non-controlling interests	578	2 603	560	581

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

Consolidated statement of financial position

ASSETS	Note	31.12.2013	30.09.2013 restated	31.12.2012 restated	01.01.2012 restated
Cash and balances with the Central Bank		1 650 467	794 706	4 819 203	1 038 356
Loans and advances to banks		3 471 241	2 935 740	3 944 578	4 008 874
Trading securities	15	763 064	1 402 650	1 150 886	1 477 022
Derivative financial instruments	16	2 349 585	2 309 053	2 802 695	1 506 595
Loans and advances to customers	17	68 210 385	69 206 663	66 946 830	67 746 110
Hedge accounting adjustments related to fair value of hedged items		970	1 134	2 439	1 924
Investment securities	18	25 341 763	24 894 354	19 993 388	20 551 272
Intangible assets	19	455 345	421 170	436 123	436 769
Tangible fixed assets	20	709 552	723 088	773 904	832 455
Current income tax assets		7 332	38 903	129	4 728
Deferred income tax assets	23	370 821	361 215	391 182	327 079
Other assets		952 236	911 444	883 626	859 084
Total assets		**104 282 761**	**104 000 120**	**102 144 983**	**98 790 268**
LIABILITIES AND EQUITY					
Liabilities					
Amounts due to the Central Bank		-	-	-	-
Amounts due to other banks		19 224 182	21 416 248	21 110 939	27 390 809
Derivative financial instruments	16	2 459 715	2 472 433	3 476 684	1 862 747
Amounts due to customers	21	61 673 527	60 085 074	57 983 600	54 244 388
Debt securities in issue		5 402 056	4 869 607	4 892 275	1 735 988
Hedge accounting adjustments related to fair value of hedged items		(4 349)	(5 466)	4 220	-
Other liabilities		1 267 672	1 745 624	1 394 845	1 723 856
Current income tax liabilities		9 581	5 286	226 215	235 568
Provisions for deferred income tax		2 954	2 870	1 662	258
Provisions	23	228 228	207 546	213 327	153 168
Subordinated liabilities	22	3 762 757	3 310 880	3 222 295	3 456 200
Total liabilities		**94 026 323**	**94 110 102**	**92 526 062**	**90 802 982**
Equity					
Equity attributable to Owners of mBank S.A.		**10 229 342**	**9 863 500**	**9 594 430**	**7 963 376**
Share capital:		**3 512 338**	**3 511 146**	**3 501 633**	**3 493 812**
- Registered share capital		168 696	168 681	168 556	168 411
- Share premium		3 343 642	3 342 465	3 333 077	3 325 401
Retained earnings:		**6 398 937**	**6 080 530**	**5 608 788**	**4 407 778**
- Profit from the previous years		5 192 562	5 188 355	4 411 467	4 407 778
- Profit for the current year		1 206 375	892 175	1 197 321	-
Other components of equity		**318 067**	**271 824**	**484 009**	**61 786**
Non-controlling interests		**27 096**	**26 518**	**24 491**	**23 910**
Total equity		**10 256 438**	**9 890 018**	**9 618 921**	**7 987 286**
Total liabilities and equity		**104 282 761**	**104 000 120**	**102 144 983**	**98 790 268**
Capital adequacy ratio *)	24	**19.38**	**19.17**	**18.73**	**14.96**
Book value		**10 229 342**	**9 863 500**	**9 594 430**	**7 963 376**
Number of shares		**42 174 013**	**42 170 252**	**42 138 976**	**42 102 746**
Book value per share (in PLN)		**242.55**	**233.90**	**227.69**	**189.14**

*) data relating to the capital adequacy ratio for comparative periods has not been restated

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

Consolidated statement of changes in equity

Changes from 1 January to 31 December 2013

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

Changes from 1 January to 30 September 2013

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

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

Changes from 1 January to 31 December 2012

	Share capital		Retained earnings					Other components of equity					
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Actuarial gains and losses relating to post-employment benefits	Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
Equity as at 1 January 2012 - before restatement	**168 411**	**3 325 401**	**2 334 675**	**81 174**	**841 953**	**1 235 355**	**-**	**1 921**	**59 865**	**-**	**8 048 755**	**23 910**	**8 072 665**
- changes to accounting policies	-	-	-	-	-	(85 379)	-	-	-	-	(85 379)	-	(85 379)
Equity as at 1 January 2012 - restated	**168 411**	**3 325 401**	**2 334 675**	**81 174**	**841 953**	**1 149 976**	**-**	**1 921**	**59 865**	**-**	**7 963 376**	**23 910**	**7 987 286**
Total comprehensive income							**1 197 321**	**(1 815)**	**423 813**	**225**	**1 619 544**	**581**	**1 620 125**
Transfer to general banking risk reserve	-	-	-	-	104 000	(104 000)	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	10 000	-	(10 000)	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	1 018 829	-	-	(1 018 829)	-	-	-	-	-	-	-
Issue of shares	145	-	-	-	-	-	-	-	-	-	145	-	145
Stock option program for employees	-	7 676	-	3 689	-	-	-	-	-	-	11 365	-	11 365
- value of services provided by the employees	-	-	-	*11 365*	-	-	-	-	-	-	*11 365*	-	*11 365*
- settlement of exercised options	-	*7 676*	-	*(7 676)*	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2012 - restated	**168 556**	**3 333 077**	**3 353 504**	**94 863**	**945 953**	**17 147**	**1 197 321**	**106**	**483 678**	**225**	**9 594 430**	**24 491**	**9 618 921**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

Consolidated statement of cash flows

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012 restated
A. Cash flows from operating activities	**(875 524)**	**3 551 574**
Profit before income tax	**1 517 703**	**1 464 808**
Adjustments:	***(2 393 227)***	***2 086 766***
Income taxes paid	(462 013)	(400 918)
Amortisation, including amortisation of fixed assets provided under operating lease	239 684	247 174
Foreign exchange (gains) losses related to financing activities	40 555	(1 745 708)
(Gains) losses on investing activities	(13 600)	(10 226)
Impairment of investments in subsidiaries	472	3 113
Dividends received	(26 856)	(13 902)
Interest income (income statement)	(3 949 971)	(4 523 117)
Interest expense (income statement)	1 724 160	2 243 520
Interest received	4 222 076	4 910 471
Interest paid	(1 696 667)	(1 925 700)
Changes in loans and advances to banks	167 160	(597 811)
Changes in trading securities	(220 203)	(522)
Changes in assets and liabilities on derivative financial instruments	(504 681)	363 992
Changes in loans and advances to customers	(1 403 363)	530 104
Changes in investment securities	(5 564 854)	1 052 363
Changes in other assets	(80 048)	(39 754)
Changes in amounts due to other banks	1 749 394	(1 826 692)
Changes in amounts due to customers	3 306 539	3 788 701
Changes in debt securities in issue	176 377	226 181
Changes in provisions	14 901	60 159
Changes in other liabilities	(112 289)	(254 662)
Net cash generated from operating activities	**(875 524)**	**3 551 574**
B.Cash flows from investing activities	**(146 597)**	**(216 342)**
Investing activity inflows	**69 536**	**50 609**
Disposal of shares in subsidiaries, net of cash disposed	2	13 200
Disposal of intangible assets and tangible fixed assets	29 264	23 507
Dividends received	26 856	13 902
Other investing inflows	13 414	-
Investing activity outflows	**216 133**	**266 951**
Acquisition of shares in subsidiaries	18	102
Purchase of intangible assets and tangible fixed assets	216 114	266 849
Other investing outflows	1	-
Net cash used in investing activities	**(146 597)**	**(216 342)**
C. Cash flows from financing activities	**(2 842 591)**	**(400 979)**
Financing activity inflows	**2 743 526**	**7 139 339**
Proceeds from loans and advances from other banks	82 356	84 254
Proceeds from other loans and advances	636 430	-
Issue of debt securities	1 524 600	7 054 940
Increase of subordinated liabilities	500 000	-
Issue of ordinary shares	140	145
Financing activity outflows	**5 586 117**	**7 540 318**
Repayments of loans and advances from other banks	3 729 163	3 133 894
Repayments of other loans and advances	239 751	10 542
Redemption of debt securities	1 154 289	4 039 165
Acquisition of shares in subsidiaries - increase of involvement	1 000	-
Payments of financial lease liabilities	448	382
Dividends and other payments to shareholders	421 420	-
Interest paid from loans and advances received from other banks and from subordinated liabilities	40 046	356 335
Net cash generated from financing activities	**(2 842 591)**	**(400 979)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(3 864 712)**	**2 934 253**
Effects of exchange rate changes on cash and cash equivalents	(27 980)	(31 147)
Cash and cash equivalents at the beginning of the reporting period	7 578 317	4 675 211
Cash and cash equivalents at the end of the reporting period	**3 685 625**	**7 578 317**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

mBank S.A. stand-alone financial information

Income statement

	Note	4th Quarter (current year) period from 01.10.2013 to 31.12.2013	4 Quarters (current year) period from 01.01.2013 to 31.12.2013	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 restated	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 restated
Interest income		871 432	3 631 968	1 079 258	4 135 914
Interest expense		(334 242)	(1 610 638)	(569 695)	(2 073 966)
Net interest income		**537 190**	**2 021 330**	**509 563**	**2 061 948**
Fee and commission income		282 703	1 084 180	259 857	1 011 765
Fee and commission expense		(103 492)	(418 565)	(108 343)	(374 689)
Net fee and commission income		**179 211**	**665 615**	**151 514**	**637 076**
Dividend income		9 752	61 861	43	35 663
Net trading income, including:		77 961	326 358	72 975	344 897
Foreign exchange result		*66 029*	*274 978*	*76 682*	*316 404*
Other trading income and result on hedge accounting		*11 932*	*51 380*	*(3 707)*	*28 493*
Gains less losses from investment securities, investments in subsidiaries and associates		25 214	78 754	120 843	149 850
Other operating income		18 067	80 483	28 950	75 029
Net impairment losses on loans and advances		(97 276)	(414 816)	(62 484)	(383 735)
Overhead costs		(321 325)	(1 235 572)	(316 977)	(1 206 882)
Amortization and depreciation		(45 102)	(161 513)	(43 498)	(168 589)
Other operating expenses		(32 108)	(81 855)	(62 161)	(96 205)
Operating profit		**351 584**	**1 340 645**	**398 768**	**1 449 052**
Profit before income tax		**351 584**	**1 340 645**	**398 768**	**1 449 052**
Income tax expense		**(80 976)**	**(270 339)**	**(43 470)**	**(255 477)**
Net profit		**270 608**	**1 070 306**	**355 298**	**1 193 575**

Net profit			**1 070 306**		**1 193 575**
Weighted average number of ordinary shares	14		**42 155 456**		**42 118 904**
Basic earnings per share (in PLN)	14		**25.39**		**28.34**
Weighted average number of ordinary shares for diluted earnings	14		**42 167 491**		**42 158 632**
Diluted earnings per share (in PLN)	14		**25.38**		**28.31**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

mBank S.A. stand-alone financial information

Statement of comprehensive income

	4th Quarter (current year) period from 01.10.2013 to 31.12.2013	4 Quarters (current year) period from 01.01.2013 to 31.12.2013	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 restated	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 restated
Net profit	**270 608**	**1 070 306**	**355 298**	**1 193 575**
Other comprehensive income net of tax, including:	**49 005**	**(164 359)**	**150 724**	**342 182**
Items that may be reclassified subsequentlyto the the income statement				
Exchange differences on translation of foreign operations (net)	1 222	1 266	391	555
Change in valuation of available for sale financial assets (net)	48 527	(164 881)	150 108	341 402
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits	(744)	(744)	225	225
Total comprehensive income net of tax, total	**319 613**	**905 947**	**506 022**	**1 535 757**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

mBank S.A. stand-alone financial information

Statement of financial position

ASSETS	31.12.2013	30.09.2013 restated	31.12.2012 restated	01.01.2012 restated
Cash and balances with the Central Bank	1 643 073	781 244	4 816 095	1 032 081
Loans and advances to banks	4 488 865	3 880 951	5 052 629	5 222 678
Trading securities	903 912	1 475 365	1 528 994	1 676 798
Derivative financial instruments	2 349 542	2 305 609	2 796 542	1 504 020
Loans and advances to customers	63 756 680	64 604 484	61 987 890	61 558 586
Hedge accounting adjustments related to fair value of hedged items	970	1 134	2 439	1 924
Investment securities	25 081 290	24 740 583	19 740 852	20 930 666
Investments in subsidiaries	757 259	653 181	937 336	546 430
Intangible assets	408 784	375 185	389 325	389 807
Tangible fixed assets	442 726	453 987	480 647	542 410
Current income tax assets	6 593	38 047	-	-
Deferred income tax assets	133 258	125 842	148 866	83 221
Other assets	259 180	208 557	176 298	321 432
Total assets	**100 232 132**	**99 644 169**	**98 057 913**	**93 810 053**

LIABILITIES AND EQUITY				
Liabilities				
Amounts due to the Central Bank	-	-	-	-
Amounts due to other banks	18 863 854	20 880 552	20 241 514	25 281 169
Derivative financial instruments	2 472 350	2 481 082	3 481 294	1 857 371
Amounts due to customers	64 008 374	61 685 821	59 881 918	54 018 635
Hedge accounting adjustments related to fair value of hedged items	(4 349)	(5 466)	4 220	-
Debt securities in issue	451 916	456 816	659 048	-
Other liabilities	962 870	1 460 854	1 147 996	1 371 511
Current income tax liabilities	-	-	217 940	227 251
Provisions for deferred income tax	80	81	79	85
Provisions	141 060	125 341	128 815	72 304
Subordinated liabilities	3 762 757	3 310 880	3 222 295	3 456 200
Total liabilities	**90 658 912**	**90 395 961**	**88 985 119**	**86 284 526**
Equity				
Share capital:	**3 512 338**	**3 511 146**	**3 501 633**	**3 493 812**
- Registered share capital	168 696	168 681	168 556	168 411
- Share premium	3 343 642	3 342 465	3 333 077	3 325 401
Retained earnings:	**5 738 676**	**5 463 861**	**5 084 596**	**3 887 332**
- Profit for the previous year	4 668 370	4 664 163	3 891 021	2 821 320
- Net profit for the current year	1 070 306	799 698	1 193 575	1 066 012
Other components of equity	**322 206**	**273 201**	**486 565**	**144 383**
Total equity	**9 573 220**	**9 248 208**	**9 072 794**	**7 525 527**
Total liabilities and equity	**100 232 132**	**99 644 169**	**98 057 913**	**93 810 053**

Capital adequacy ratio *)	**20.59**	**20.88**	**19.66**	**15.28**
Book value	**9 573 220**	**9 248 208**	**9 072 794**	**7 525 527**
Number of shares	**42 174 013**	**42 170 252**	**42 138 976**	**42 102 746**
Book value per share (in PLN)	**226.99**	**219.31**	**215.31**	**178.74**

*) data relating to the capital adequacy ratio for comparative periods has not been restated

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

mBank S.A. stand-alone financial information

Statement of changes in equity

Changes from 1 January to 31 December 2013

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

Changes from 1 January to 30 September 2013

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

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

Changes from 1 January to 31 December 2012

	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	
Equity as at 1 January 2012 - before restatement	**168 411**	**3 325 401**	**2 061 378**	**20 178**	**825 143**	**1 066 012**	**-**	**(8 333)**	**152 716**	**-**	**7 610 906**
- changes to accounting policies	-	-	-	-	-	(85 379)	-	-	-	-	(85 379)
Equity as at 1 January 2012 - restated	**168 411**	**3 325 401**	**2 061 378**	**20 178**	**825 143**	**980 633**	**-**	**(8 333)**	**152 716**	**-**	**7 525 527**
Total comprehensive income							**1 193 575**	**555**	**341 402**	**225**	**1 535 757**
Transfer to general banking risk reserve	-	-	-	-	100 000	(100 000)	-	-	-	-	-
Transfer to supplementary capital	-	-	966 012	-	-	(966 012)	-	-	-	-	-
Issue of shares	145	-	-	-	-	-	-	-	-	-	145
Stock option program for employees	-	7 676	-	3 689	-	-	-	-	-	-	11 365
- value of services provided by the employees	-	-	-	*11 365*	-	-	-	-	-	-	*11 365*
- settlement of exercised options	-	*7 676*	-	*(7 676)*	-	-	-	-	-	-	-
Equity as at 31 December 2012 - restated	**168 556**	**3 333 077**	**3 027 390**	**23 867**	**925 143**	**(85 379)**	**1 193 575**	**(7 778)**	**494 118**	**225**	**9 072 794**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

mBank S.A. stand-alone financial information

Statement of cash flows

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012 restated
A. Cash flows from operating activities	**(1 229 350)**	**3 290 233**
Profit before income tax	**1 340 645**	**1 449 052**
Adjustments:	***(2 569 995)***	***1 841 181***
Income taxes paid	(428 124)	(375 975)
Amortisation	161 513	168 589
Foreign exchange (gains) losses on financing activities	47 136	(1 732 912)
(Gains) losses on investing activities	(13 253)	(115 842)
Impairment of investments in subsidiaries	472	105
Dividends received	(61 861)	(35 663)
Interest income (income statement)	(3 631 968)	(4 135 914)
Interest expenses (income statement)	1 610 638	2 073 966
Interest received	3 915 697	4 339 060
Interest paid	(1 409 216)	(1 675 867)
Changes in loans and advances to banks	(29 765)	19 640
Changes in trading securities	204 874	(135 599)
Changes in assets and liabilities on derivative financial instruments	(510 036)	361 801
Changes in loans and advances to customers	(1 916 359)	(548 995)
Changes in investment securities	(5 796 263)	1 403 530
Changes in other assets	(83 193)	146 020
Changes in amounts due to other banks	1 948 579	(1 706 762)
Changes in amounts due to customers	3 581 742	3 883 872
Changes in debt securities in issue	(2 611)	-
Changes in provisions	12 245	56 511
Changes in other liabilities	(170 242)	(148 384)
Net cash generated from operating activities	**(1 229 350)**	**3 290 233**
B.Cash flows from investing activities	**126 535**	**(133 420)**
Investing activity inflows	**371 479**	**38 010**
Disposal of shares in subsidiaries	3	56
Disposal of intangible assets and tangible fixed assets	752	2 291
Dividends received	61 861	35 663
Other investing inflows	308 863	-
Investing activity outflows	**244 944**	**171 430**
Acquisition of shares in subsidiaries	102 795	1 653
Purchase of intangible assets and tangible fixed assets	142 149	169 777
Net cash used in investing activities	**126 535**	**(133 420)**
C. Cash flows from financing activities	**(3 049 423)**	**296 936**
Financing activity inflows	**1 294 576**	**5 536 375**
Proceeds from loans and advances from other banks	82 356	84 254
Proceeds from other loans and advances	636 430	-
Issue of debt securities	-	3 414 454
Increase of subordinated liabilities	500 000	-
Issue of ordinary shares	140	145
Security deposit due to issue of Eurobonds	75 650	2 037 522
Financing activity outflows	**4 343 999**	**5 239 439**
Repayments of loans and advances from other banks	3 419 251	2 014 391
Repayments of other loans and advances	239 751	10 542
Redemption of debt securities	204 289	2 760 165
Acquisition of shares in subsidiaries - increase of involvement	12 000	88 286
Payments of financial lease liabilities	8 247	10 575
Dividends and other payments to shareholders	421 420	-
Interest paid from loans and advances received from other banks and from subordinated liabilities	39 041	355 480
Net cash from financing activities	**(3 049 423)**	**296 936**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(4 152 238)**	**3 453 749**
Effects of exchange rate changes on cash and cash equivalents	(34 521)	(42 994)
Cash and cash equivalents at the beginning of the reporting period	7 994 650	4 583 895
Cash and cash equivalents at the end of the reporting period	**3 807 891**	**7 994 650**

Explanatory notes to the consolidated financial statements

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

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

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

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

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

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

As at 31 December 2013, mBank S.A. Group covered by the condensed consolidated financial statements comprised the following companies:

mBank S.A., the parent entity

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

As at 31 December 2013 the headcount of mBank S.A. amounted to 4 696 FTEs (Full Time Equivalents) and of the Group to 6 073 FTEs (31 December 2012: Bank 4 728 FTEs, Group 6 138 FTEs).

As at 31 December 2013 the employment in mBank S.A. was 5 681 persons and in the Group 7 826 persons (31 December 2012: Bank 5 703 persons, Group 8 034 persons).

In connection with the change of the name of the Bank, most of mBank companies also changed their names by entering the prefix "m". BRE Faktoring changed its name to mFaktoring, BRE Leasing to mLeasing, BRE Bank Hipoteczny to mBank Hipoteczny, BRE Wealth Management to mWealth Management, BRE Centrum Operacji to mCentrum Operacji, BRE.locum to mLocum and Dom Inwestycyjny BRE Banku is currently Dom Maklerski mBanku.

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

Corporates and Financial Markets Segment, including:

Corporates and Institutions

- mFaktoring S.A. - subsidiary
- mLeasing Sp. z o.o. - subsidiary
- Garbary Sp. z o.o. - subsidiary
- MLV 45 Sp. z o.o. spółka komandytowa - subsidiary
- Transfinance a.s. - subsidiary

Trading and Investment

- BRE Finance France S.A. - subsidiary
- Dom Maklerski mBanku S.A. - subsidiary

Retail Banking Segment (including Private Banking)

- Aspiro S.A. - subsidiary
- mBank Hipoteczny S.A. - subsidiary
- mWealth Management S.A. - subsidiary
- BRE Ubezpieczenia TUiR S.A. - subsidiary, insurer
- BRE Ubezpieczenia Sp. z o.o. - subsidiary, insurance agent
- BRE Agent Ubezpieczeniowy Sp. z o.o. - subsidiary, insurance agent

Other

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

Other information concerning companies of the Group

In November 2013, mBank S.A. acquired 100% shares of BDH Development Sp. z o.o. The company's core business is implementation and completion of development projects on the basis of residential property taken over by mBank S.A. Group through restructuring and recovery of investment loans, in order to recover the greatest possible value of the real estate taken over.

Additionally, 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 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 2013.

The Consolidated Financial Statements of mBank S.A. Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union, according to the historical cost method, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities measured at fair value through the income statement as well as all derivative contracts.

The preparation of the financial statements in compliance with IFRS requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues where estimates or judgments are material to the consolidated financial statements are disclosed in Note 4.

2.2. Consolidation

Subsidiaries

Subsidiaries comprise entities (including special purpose vehicles) over which the Group has the power to manage their financial and operating policies generally accompanying a shareholding of a majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.19).

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

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

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

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are settled using the equity method of accounting and they are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on the acquisition date (see Note 2.19).

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

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

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

Company	31.12.2013		31.12.2012	
	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	-	-
BRE Agent Ubezpieczeniowy Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full
BRE Ubezpieczenia TUiR SA	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
MLV 35 Sp. z o.o. spółka komandytowo - akcyjna	-	-	100%	full
MLV 45 Sp. z o.o. spółka komandytowa (previously BRE Holding Sp. z o.o.)	100%	full	100%	full
Transfinance a.s.	100%	full	100%	full
BRE Finance France S.A.	99.98%	full	99.98%	full
m.locum S.A.	79.99%	full	79.99%	full

Starting from the fourth quarter of 2013, the Group included in the consolidation its subsidiary BDH Development Sp. z o.o.

2.3. Interest income and expenses

All interest income on financial instruments carried at amortised cost using the effective interest rate method is recognised in the income statement.

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

Following the recognition of an impairment loss on a financial asset or a group of similar financial assets, the subsequent interest income is measured according to 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 receivables from banks or from other customers.

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

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

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

2.4. Fee and commission income

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

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

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

Additionally, fee and commission income on insurance activity comprises income on services provided by an insurance agent and income on account of payments for arranging instalments for a premium for insurance products sold through the Internet platform. Payment on account of arranging instalments for a premium is recognised entirely at the policy issue date.

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

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

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

The Group treats sold insurance products as bundled with loans, in particular when insurance product is offered to the customer only with the loan, i.e. it is not possible to purchase from the Group the insurance product which is identical in a legal form, content and economic conditions without purchasing the loan. Revenue and expenses from sale of insurance products bundled with loans are split into interest income and fee and commission income based on the relative fair value analysis of each of these products. The remuneration included in interest income is recognised over time as part of effective interest rate calculation for the bundled loan. The remuneration included in fee and commission income is recognised partly as upfront income and partly including deferring over time based on the analysis of the stage of completion of the service. Expenses directly linked to the sale of insurance products are recognised using the same pattern as in case of income observing the matching concept. A part of expenses is treated as an element adjusting the calculation of effective interest rate for interest income and the remaining part of expenses is recognised in fee and commission expenses as upfront cost or as cost accrued over time. The Group estimates also the part of remuneration which in the future will be returned due to early termination of insurance contract and appropriately decreases interest income or fee and commission income to be recognised.

2.6. Insurance premium revenue

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

2.7. Compensations and benefits, net

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

2.8. Segment reporting

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

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

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

2.9. Financial assets

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

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

Financial assets valued at fair value through the income statement

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

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

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

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

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

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

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

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

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

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

Loans and receivables

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

Held to maturity investments

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

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

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

Available for sale investments

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

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

Available for sale financial assets and financial assets measured at fair value through the income statement are valued at the end of the reporting period according to their fair value. Loans and receivables, as well as investments held to maturity are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. Gains and losses resulting from changes in the fair value of 'financial assets measured at fair value through the income statement' are recognised in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income until the derecognition of the respective financial asset in the statement of financial position or until its impairment: at such time the aggregate net gain or loss previously recognised in other comprehensive income is now recognised in the income statement. However, interest calculated using the effective interest rate is recognised in the income statement. Dividends on available for sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

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

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

2.10. Reinsurance assets

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

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

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

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

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

2.11. Offsetting financial instruments

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

2.12. Impairment of financial assets

Assets carried at amortised cost

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

The list of definite loss events:

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

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

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

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 proper calibration of PD values, taking into account characteristics of specific products and emerging periods for losses on those products, such PD values allow already arisen losses to be identified and cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

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

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

Assets measured at fair value

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

Renegotiated agreements

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

2.13. Financial guarantee contracts

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

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

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

2.14. Cash and cash equivalents

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

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

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

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

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

Securities borrowed by the Group are not recognised in the financial statements, unless they are sold to third parties. In such case, the purchase transactions are recorded in the financial statements, gains are included in trading income, and the obligation to return them is recorded at fair value as trading liability. 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, because the Group retains substantially all risks and rewards of ownership of the financial assets.

2.16. Derivative financial instruments and hedge accounting

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

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

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

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

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

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

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
- The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

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

Detailed information on the restatement of comparative data related to changes in the presentation of interest income/expense on derivatives classified into banking book and derivatives concluded under the hedge accounting are included in Note 2.32 'Comparative data'.

<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.

<u>Derivative instruments not fulfilling the criteria of hedge accounting</u>

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.17. Gains and losses on initial recognition

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

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

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

2.18. Borrowings and deposits taken

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

2.19. Intangible assets

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

<u>Goodwill</u>

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associates is recognised in 'investment in associates'. Goodwill is not amortised, but it is tested annually for impairment, and it is carried in the statement of financial position at cost reduced by accumulated impairment losses. Goodwill impairment losses should not be reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Goodwill is allocated to cash generating units or groups of cash generating units for the purpose of impairment testing. The allocation is made 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 and identified in accordance with IFRS 8.

<u>Computer software</u>

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 development or maintenance of computer software are expensed when incurred. Costs 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 attached to the development of software and the corresponding part of the respective general overhead costs.

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

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

Development costs

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

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

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

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

2.20. Tangible fixed assets

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

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

Accounting principles concerning assets held for liquidation or withdrawal from usage are described under Note 2.22.

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	5-15 years,
Vehicles	5 years,
Information technology hardware	3.33-5 years,
Investments in third party fixed assets	10-40 years or the period of the lease contract,
Office equipment, furniture	5-10 years.

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

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

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

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

2.21. Inventories

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

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

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

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

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

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

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

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

2.23. Deferred income tax

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

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

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

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

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

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

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

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

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

2.24. Assets repossessed for debt

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

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

2.25. Prepayments, accruals and deferred income

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

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

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

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

2.26. Leasing

mBank S.A. Group as a lessor

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

Revenue from leasing agreements is recognised as follows:

- Interests on finance lease

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

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

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

2.27. Provisions

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

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

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

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

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

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

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

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

2.28. Post-employment employee benefits and other employee benefits

<u>Post-employment employee benefits</u>

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

<u>Benefits based on shares</u>

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

2.29. Equity

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

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, the issue of options, or the acquisition of a business entity. They 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.

2.30. 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 non-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 non-monetary assets as equity instruments classified as available for sale financial assets are recognised under other comprehensive income.

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

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

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.

Goodwill and adjustments to the fair value which arise upon the acquisition of entities operating abroad are treated as assets or liabilities of the foreign subsidiaries and converted at the closing exchange rate.

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.

Additionally, in the case of operating lease agreements, all future receivables on account of leasing payments (including receivables in foreign currencies) are not presented on the face of the financial reports. In the case of finance lease agreements the foreign exchange differences arising from the valuation of leasing payments due as well as of liabilities denominated in foreign currency are recognised through the income statement at the end of the reporting period.

2.31. Trust and fiduciary activities

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

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

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

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

2.32. New standards, interpretations and amendments to published standards

These financial statements comply with all the International Accounting Standards and the International Financial Reporting Standards endorsed by the European Union, and the interpretations related to them, except for those standards and interpretations listed below which await endorsement of the European

Union or which have been endorsed by the European Union but entered or will enter into force after the balance sheet date.

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

<u>Published Standards and Interpretations which have been issued and binding for the Group for annual periods starting on 1 January 2013:</u>

- IFRS 10, Consolidated Financial Statements (supersedes consolidation requirements of IAS 27), binding for annual periods beginning on or after 1 January 2013.
- IFRS 11, Joint Arrangements, binding for annual periods beginning on or after 1 January 2013.
- IFRS 12, Disclosure of Interests in Other Entities, binding for annual periods beginning on or after 1 January 2013.
- IFRS 13, Fair Value Measurement, binding for annual periods beginning on or after 1 January 2013.
- IAS 19 (Amended), Employee Benefits, binding for annual periods beginning on or after 1 January 2013.
- IAS 27, Separate Financial Statements (IAS 27 and IFRS 10 supersede IAS 27 Consolidated and Separate Financial Statements), binding for annual periods beginning on or after 1 January 2013.
- IAS 28, Investments in Associates and Joint Ventures (supersedes IAS 28 Investments in Associates), binding for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income, binding for annual periods beginning on or after 1 July 2012.
- Amendments to IFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities, binding for annual periods beginning on or after 1 January 2013.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance, binding for annual periods starting on or after 1 January 2013.
- Improvements to IFRS 2009-2011, binding for annual periods starting on or after 1 January 2013.
- Government Loans (Amendments to IFRS 1), binding for annual periods starting on or after 1 January 2013.

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

<u>Published Standards and Interpretations which have been issued but are not yet binding or have not been adopted early:</u>

Standards and interpretations approved by the European Union:

- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities, binding for annual periods beginning on or after 1 January 2014.
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets, binding for annual periods starting on or after 1 January 2014.
- Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting, binding for annual periods starting on or after 1 January 2014.
- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities, binding for annual periods starting on or after 1 January 2014.

Standards and interpretations not yet approved by the European Union:

- IFRS 9, Financial Instruments Part 1: Recognition and Measurement, binding for annual periods beginning on or after 1 January 2015.
- IFRS 14, Regulatory Deferral Accounts, binding for annual periods beginning on or after 1 January 2016.
- IAS 19 (Amended), Defined Benefit Plans: Employee Contributions, binding for annual periods beginning on or after 1 July 2014.
- IFRIC 21, Levies, binding for annual periods starting on or after 1 January 2014.

- Improvements to IFRS 2010-2012, binding in the majority for annual periods starting on or after 1 July 2014.
- Improvements to IFRS 2011-2013, binding in the majority for annual periods starting on or after 1 July 2014.

The Group believes that the application of IFRIC 21 will have no impact on the total level of recognised fees of the financial year, and may have an impact on the level of such costs recognised in each quarter of the financial year. The Group is considering the implications of the IFRS 9, the impact on the Group and the timing of its adoption by the Group. The Group believes that the application of the other standards and interpretations will not have a significant effect on the financial statements in the period of their first application.

2.33. Comparative data

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

a) Actuarial gains and losses

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

The restatement of comparative data for the year 2012 due to this change resulted in a reduction of consolidated and stand-alone net profit for the year 2012 by the amount of PLN 225 thousand and an increase in the consolidated and stand-alone actuarial gains or losses relating to post-employment benefits, presented in other components of equity, by the same amount. The adjustment had no impact on the total amount of stand-alone and consolidated equity as at 31 December 2012.

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

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

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

Starting from the second quarter of 2013 the Group created reserves for possible returns of part of the income caused by early termination of insurance contracts. Additionally, more conservative approach towards recognition of intermediary costs was implemented by charging such costs directly through current year profit and loss account for all living insurance contracts attached to cash loans and car loans.

Starting from the third quarter of 2013, in most of the cases income and expenses from selling insurance products were recognised in fee and commission income and expenses, partly as upfront income and partly including deferring over time based on the analysis of the stage of completion of the service. In case of the deferred part, straight line amortization was applied. The changes implemented in the second and third quarter of 2013 were applied prospectively.

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

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

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

The restatement of comparative data for the year 2012 due to this change resulted in a decrease of consolidated and stand-alone net profit for the year 2012 by the amount of PLN 5 684 thousand and a decrease of the total stand-alone and consolidated equity as at 31 December 2012 by the amount of PLN 91 063 thousand. The decrease of the consolidated and stand-alone equity as of 31 December 2013 caused by the impact of the amended accounting policy compared to the accounting approach applied until third quarter of 2013 amounted to PLN 71 658 thousand.

The following tables present the impact of the changes in accounting policies introduced in 2013 on comparative data for respective reporting periods presented in these condensed consolidated financial statements.

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

ASSETS	30.09.2013 before restatement	Restatement	30.09.2013 after restatement	31.12.2012 before restatement	Restatement	31.12.2012 after restatement	01.01.2012 before restatement	Restatement	01.01.2012 after restatement
Loans and advances to customers	69 312 048	(105 385)	69 206 663	67 059 254	(112 424)	66 946 830	67 851 516	(105 406)	67 746 110
Deferred income tax assets	343 762	17 453	361 215	369 821	21 361	391 182	307 052	20 027	327 079
Other items of assets	34 432 242	-	34 432 242	34 806 971	-	34 806 971	30 717 079	-	30 717 079
Total assets	**104 088 052**	**(87 932)**	**104 000 120**	**102 236 046**	**(91 063)**	**102 144 983**	**98 875 647**	**(85 379)**	**98 790 268**
LIABILITIES AND EQUITY									
Liabilities									
Other liabilities	1 751 392	(5 768)	1 745 624	1 394 845	-	1 394 845	1 723 856	-	1 723 856
Provisions	215 306	(7 760)	207 546	213 327	-	213 327	153 168	-	153 168
Other items of liabilities	92 156 932	-	92 156 932	90 917 890	-	90 917 890	88 925 958	-	88 925 958
Total liabilities	**94 123 630**	**(13 528)**	**94 110 102**	**92 526 062**	**-**	**92 526 062**	**90 802 982**	**-**	**90 802 982**
Equity									
Share capital	**3 511 146**	**-**	**3 511 146**	**3 501 633**	**-**	**3 501 633**	**3 493 812**	**-**	**3 493 812**
Retained earnings:	**6 155 159**	**(74 629)**	**6 080 530**	**5 700 076**	**(91 288)**	**5 608 788**	**4 493 157**	**(85 379)**	**4 407 778**
- Profit for the previous year	5 279 643	(91 288)	5 188 355	4 496 846	(85 379)	4 411 467	4 493 157	(85 379)	4 407 778
- Net profit for the current year	875 516	16 659	892 175	1 203 230	(5 909)	1 197 321	-	-	-
Other components of equity	**271 599**	**225**	**271 824**	**483 784**	**225**	**484 009**	**61 786**	**-**	**61 786**
Non-controlling interests	**26 518**	**-**	**26 518**	**24 491**	**-**	**24 491**	**23 910**	**-**	**23 910**
Total equity	**9 964 422**	**(74 404)**	**9 890 018**	**9 709 984**	**(91 063)**	**9 618 921**	**8 072 665**	**(85 379)**	**7 987 286**
Total liabilities and equity	**104 088 052**	**(87 932)**	**104 000 120**	**102 236 046**	**(91 063)**	**102 144 983**	**98 875 647**	**(85 379)**	**98 790 268**

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

	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 before restatement	Restatement	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 after restatement	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 before restatement	Restatement	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 after restatement
Interest income	1 159 663	13 897	1 173 560	4 476 800	46 317	4 523 117
Interest expense	(604 184)	(352)	(604 536)	(2 243 168)	(352)	(2 243 520)
Net interest income	**555 479**	**13 545**	**569 024**	**2 233 632**	**45 965**	**2 279 597**
Fee and commission income	310 272	(10 688)	299 584	1 273 953	(57 074)	1 216 879
Fee and commission expense	(114 925)	1 051	(113 874)	(434 073)	3 740	(430 333)
Net fee and commission income	**195 347**	**(9 637)**	**185 710**	**839 880**	**(53 334)**	**786 546**
Dividend income	49	-	49	13 902	-	13 902
Net trading income	76 079	-	76 079	356 542	-	356 542
Gains less losses from investment securities, investments in subsidiaries and associates	3 082	-	3 082	44 966	-	44 966
Other operating income	90 355	-	90 355	275 721	-	275 721
Net impairment losses on loans and advances	(88 987)	-	(88 987)	(444 635)	-	(444 635)
Overhead costs	(382 665)	74	(382 591)	(1 465 788)	74	(1 465 714)
Amortization and depreciation	(51 375)	-	(51 375)	(195 617)	-	(195 617)
Other operating expenses	(97 453)	-	(97 453)	(186 500)	-	(186 500)
Operating profit	**299 911**	**3 982**	**303 893**	**1 472 103**	**(7 295)**	**1 464 808**
Profit before income tax	**299 911**	**3 982**	**303 893**	**1 472 103**	**(7 295)**	**1 464 808**
Income tax expense	**(26 774)**	**(756)**	**(27 530)**	**(268 292)**	**1 386**	**(266 906)**
Net profit	**273 137**	**3 226**	**276 363**	**1 203 811**	**(5 909)**	**1 197 902**
Net profit attributable to:						
- Owners of mBank S.A.	272 577	3 226	275 803	1 203 230	(5 909)	1 197 321
- Non-controlling interests	560	-	560	581	-	581
Basic earnings per share (in PLN)				**28.57**		**28.44**
Diluted earnings per share (in PLN)				**28.54**		**28.42**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

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

	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 before restatement	Restatement	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 after restatement	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 before restatement	Restatement	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 after restatement
Net profit	**273 137**	**3 226**	**276 363**	**1 203 811**	**(5 909)**	**1 197 902**
Other comprehensive income net of tax, includin	**248 058**	**225**	**248 283**	**421 998**	**225**	**422 223**
Items that may be reclassified subsequentlyto the the income statement						
Exchange differences on translation of foreign operations (net)	276	-	276	(1 815)	-	(1 815)
Change in valuation of available for sale financial assets (net)	247 782	-	247 782	423 813	-	423 813
Items that will not be reclassified to the income statement						
Actuarial gains and losses relating to post-employment benefits	-	225	225	-	225	225
Total comprehensive income net of tax, total	**521 195**	**3 451**	**524 646**	**1 625 809**	**(5 684)**	**1 620 125**
Total comprehensive income (net), attributable to:						
- Owners of mBank S.A.	520 635	3 451	524 086	1 625 228	(5 684)	1 619 544
- Non-controlling interests	560	-	560	581	-	581

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

	from 01.01.2012 to 31.12.2012 before restatement	Restatement	from 01.01.2012 to 31.12.2012 after restatement
A. Cash flows from operating activities	**3 551 574**	**-**	**3 551 574**
Profit before income tax	**1 472 103**	**(7 295)**	**1 464 808**
Adjustments:	***2 079 471***	***7 295***	***2 086 766***
Income taxes paid	(400 918)	-	(400 918)
Amortisation, including amortisation of fixed assets provided under operating lease	247 174	-	247 174
Foreign exchange (gains) losses related to financing activities	(1 745 708)	-	(1 745 708)
(Gains) losses on investing activities	(10 226)	-	(10 226)
Impairment of investments in subsidiaries	3 113	-	3 113
Dividends received	(13 902)	-	(13 902)
Interest income (income statement)	(4 476 800)	(46 317)	(4 523 117)
Interest expense (income statement)	2 243 168	352	2 243 520
Interest received	4 857 137	53 334	4 910 471
Interest paid	(1 925 626)	(74)	(1 925 700)
Changes in loans and advances to banks	(597 811)	-	(597 811)
Changes in trading securities	(522)	-	(522)
Changes in assets and liabilities on derivative financial instruments	363 992	-	363 992
Changes in loans and advances to customers	530 104	-	530 104
Changes in investment securities	1 052 363	-	1 052 363
Changes in other assets	(39 754)	-	(39 754)
Changes in amounts due to other banks	(1 826 692)	-	(1 826 692)
Changes in amounts due to customers	3 788 701	-	3 788 701
Changes in debt securities in issue	226 181	-	226 181
Changes in provisions	60 159	-	60 159
Changes in other liabilities	(254 662)	-	(254 662)
Net cash generated from operating activities	**3 551 574**	**-**	**3 551 574**
B.Cash flows from investing activities	**(216 342)**	**-**	**(216 342)**
C. Cash flows from financing activities	**(400 979)**	**-**	**(400 979)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**2 934 253**	**-**	**2 934 253**
Effects of exchange rate changes on cash and cash equivalents	(31 147)	-	(31 147)
Cash and cash equivalents at the beginning of the reporting period	4 675 211	-	4 675 211
Cash and cash equivalents at the end of the reporting period	**7 578 317**	**-**	**7 578 317**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

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

ASSETS	30.09.2013 before restatement	Restatement	30.09.2013 after restatement	31.12.2012 before restatement	Restatement	31.12.2012 after restatement	01.01.2012 before restatement	Restatement	01.01.2012 after restatement
Loans and advances to customers	64 709 869	(105 385)	64 604 484	62 100 314	(112 424)	61 987 890	61 663 992	(105 406)	61 558 586
Deferred income tax assets	108 389	17 453	125 842	127 505	21 361	148 866	63 194	20 027	83 221
Other items of assets	34 913 843	-	34 913 843	35 921 157	-	35 921 157	32 168 246	-	32 168 246
Total assets	**99 732 101**	**(87 932)**	**99 644 169**	**98 148 976**	**(91 063)**	**98 057 913**	**93 895 432**	**(85 379)**	**93 810 053**
LIABILITIES AND EQUITY									
Liabilities									
Other liabilities	1 466 622	(5 768)	1 460 854	1 147 996	-	1 147 996	1 371 511	-	1 371 511
Provisions	133 101	(7 760)	125 341	128 815	-	128 815	72 304	-	72 304
Other items of liabilities	88 809 766	-	88 809 766	87 708 308	-	87 708 308	84 840 711	-	84 840 711
Total liabilities	**90 409 489**	**(13 528)**	**90 395 961**	**88 985 119**	**-**	**88 985 119**	**86 284 526**	**-**	**86 284 526**
Equity									
Share capital	**3 511 146**	**-**	**3 511 146**	**3 501 633**	**-**	**3 501 633**	**3 493 812**	**-**	**3 493 812**
Retained earnings:	**5 538 490**	**(74 629)**	**5 463 861**	**5 175 884**	**(91 288)**	**5 084 596**	**3 972 711**	**(85 379)**	**3 887 332**
- Profit for the previous year	4 755 451	(91 288)	4 664 163	3 976 400	(85 379)	3 891 021	3 972 711	(85 379)	3 887 332
- Net profit for the current year	783 039	16 659	799 698	1 199 484	(5 909)	1 193 575	-	-	-
Other components of equity	**272 976**	**225**	**273 201**	**486 340**	**225**	**486 565**	**144 383**	**-**	**144 383**
Total equity	**9 322 612**	**(74 404)**	**9 248 208**	**9 163 857**	**(91 063)**	**9 072 794**	**7 610 906**	**(85 379)**	**7 525 527**
Total liabilities and equity	**99 732 101**	**(87 932)**	**99 644 169**	**98 148 976**	**(91 063)**	**98 057 913**	**93 895 432**	**(85 379)**	**93 810 053**

Adjustments in the mBank S.A. income statement.

	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 before restatement	Restatement	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 after restatement	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 before restatement	Restatement	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 after restatement
Interest income	1 065 361	13 897	1 079 258	4 089 597	46 317	4 135 914
Interest expense	(569 343)	(352)	(569 695)	(2 073 614)	(352)	(2 073 966)
Net interest income	**496 018**	**13 545**	**509 563**	**2 015 983**	**45 965**	**2 061 948**
Fee and commission income	270 545	(10 688)	259 857	1 068 839	(57 074)	1 011 765
Fee and commission expense	(109 394)	1 051	(108 343)	(378 429)	3 740	(374 689)
Net fee and commission income	**161 151**	**(9 637)**	**151 514**	**690 410**	**(53 334)**	**637 076**
Dividend income	43	-	43	35 663	-	35 663
Net trading income	72 975	-	72 975	344 897	-	344 897
Gains less losses from investment securities, investments in subsidiaries and associates	120 843	-	120 843	149 850	-	149 850
Other operating income	28 950	-	28 950	75 029	-	75 029
Net impairment losses on loans and advances	(62 484)	-	(62 484)	(383 735)	-	(383 735)
Overhead costs	(317 051)	74	(316 977)	(1 206 956)	74	(1 206 882)
Amortization and depreciation	(43 498)	-	(43 498)	(168 589)	-	(168 589)
Other operating expenses	(62 161)	-	(62 161)	(96 205)	-	(96 205)
Operating profit	**394 786**	**3 982**	**398 768**	**1 456 347**	**(7 295)**	**1 449 052**
Profit before income tax	**394 786**	**3 982**	**398 768**	**1 456 347**	**(7 295)**	**1 449 052**
Income tax expense	**(42 714)**	**(756)**	**(43 470)**	**(256 863)**	**1 386**	**(255 477)**
Net profit	**352 072**	**3 226**	**355 298**	**1 199 484**	**(5 909)**	**1 193 575**
Basic earnings per share (in PLN)				**28.48**		**28.34**
Diluted earnings per share (in PLN)				**28.45**		**28.31**

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

	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 before restatement	Restatement	4th Quarter (previous year) period from 01.10.2012 to 31.12.2012 after restatement	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 before restatement	Restatement	4 Quarters (previous year) period from 01.01.2012 to 31.12.2012 after restatement
Net profit	**352 072**	**3 226**	**355 298**	**1 199 484**	**(5 909)**	**1 193 575**
Other comprehensive income net of tax, includin	**150 499**	**225**	**150 724**	**341 957**	**225**	**342 182**
Items that may be reclassified subsequentlyto the the income statement						
Exchange differences on translation of foreign operations (net)	391	-	391	555	-	555
Change in valuation of available for sale financial assets (net)	150 108	-	150 108	341 402	-	341 402
Items that will not be reclassified to the income statement						
Actuarial gains and losses relating to post-employment benefits	-	225	225	-	225	225
Total comprehensive income net of tax, total	**502 571**	**3 451**	**506 022**	**1 541 441**	**(5 684)**	**1 535 757**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

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

	from 01.01.2012 to 31.12.2012 before restatement	Restatement	from 01.01.2012 to 31.12.2012 after restatement
A. Cash flows from operating activities	**3 290 233**	**-**	**3 290 233**
Profit before income tax	**1 456 347**	**(7 295)**	***1 449 052***
Adjustments:	***1 833 886***	***7 295***	***1 841 181***
Income taxes paid	(375 975)	-	(375 975)
Amortisation	168 589	-	168 589
Foreign exchange (gains) losses on financing activities	(1 732 912)	-	(1 732 912)
(Gains) losses on investing activities	(115 842)	-	(115 842)
Impairment of investments in subsidiaries	105	-	105
Dividends received	(35 663)	-	(35 663)
Interest income (income statement)	(4 089 597)	(46 317)	(4 135 914)
Interest expenses (income statement)	2 073 614	352	2 073 966
Interest received	4 285 726	53 334	4 339 060
Interest paid	(1 675 793)	(74)	(1 675 867)
Changes in loans and advances to banks	19 640	-	19 640
Changes in trading securities	(135 599)	-	(135 599)
Changes in assets and liabilities on derivative financial instruments	361 801	-	361 801
Changes in loans and advances to customers	(548 995)	-	(548 995)
Changes in investment securities	1 403 530	-	1 403 530
Changes in other assets	146 020	-	146 020
Changes in amounts due to other banks	(1 706 762)	-	(1 706 762)
Changes in amounts due to customers	3 883 872	-	3 883 872
Changes in debt securities in issue	-	-	-
Changes in provisions	56 511	-	56 511
Changes in other liabilities	(148 384)	-	(148 384)
Net cash generated from operating activities	**3 290 233**	**-**	**3 290 233**
B.Cash flows from investing activities	**(133 420)**	**-**	**(133 420)**
C. Cash flows from financing activities	**296 936**	**-**	**296 936**
Net increase / decrease in cash and cash equivalents (A+B+C)	**3 453 749**	**-**	**3 453 749**
Effects of exchange rate changes on cash and cash equivalents	(42 994)	-	(42 994)
Cash and cash equivalents at the beginning of the reporting period	4 583 895	-	4 583 895
Cash and cash equivalents at the end of the reporting period	**7 994 650**	**-**	**7 994 650**

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.

<u>Impairment of loans and advances</u>

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 recognized in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly verified. Last such verification was performed in November 2013 and it did not have material impact on the overall level of provisions for loans and advances, however it had an impact on the structure of these provisions as well as on the level of loans and advances for which impairment was recognized. The detailed description of the changes implemented as a result of this verification is included under the point *Financial performance of mBank S.A. Group in Q4 2013* and under Note 17.

<u>Fair value of derivative instruments</u>

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

Impairment of available for sale investments

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

Deferred tax assets

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

Liabilities due to post-employment employee benefits

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

Technical-insurance provisions

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

As at 31 December 2013, provisions for claims incurred but not reported to the insurer (IBNR) were calculated using the actuarial methods (Naive Loss Ratio and Bornhuetter-Ferguson). The expected loss ratios are composed on the basis of available market studies concerning loss arising from the given group of risks.

4. Business segments

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

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

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

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 S.A. 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 and brokerage 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 S.A. in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of mBank Hipoteczny S.A., mWealth Management S.A., Aspiro S.A. as well as BRE Ubezpieczenia TUiR S.A., BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o.

- The Corporates and Financial Markets segment, which is divided into two sub-segments:
  - *Corporates and Institutions* sub-segment, 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 and factoring services. The Corporates and Institutions sub-segment includes the results of the following subsidiaries:, mLeasing Sp. z o.o., mFaktoring S.A., MLV 45 Sp. z o.o. spółka komandytowa (previously BRE Holding Sp. z o.o.), Transfinance a.s., Garbary Sp. z o.o., as well as the results achieved by MLV 35 Sp. z o.o. spółka komandytowo-akcyjna until the date of cessation of consolidation, due to the liquidation process of the company.
  - *The Trading and Investment* 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, debt origination for financial institutions. 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 BRE Finance France S.A. and Dom Maklerski mBanku S.A.
- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under 'Other'. This segment includes the results of mLocum S.A. and 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 attributed to business segments (including consolidation adjustments).

From the beginning of 2013, there was a change in the assignment to a segment of mBank Hipoteczny S.A. The company was assigned to the Retail Banking segment (previously was part of Trading and Investment sub-segment). This change was made in connection with the new strategy adopted by mBank Hipoteczny S.A., which assumes that the company will be in the future a source of funding for mortgages offered to retail customers.

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

The primary basis used by the Group in the segment reporting is business line division. Additionally, the Group's activity is presented by geographical areas reporting broken down into Poland and foreign countries. Foreign countries segment include activity of the Bank's foreign branches in Czech Republic and Slovakia as well as activity of foreign subsidiaries Transfinance a.s. and BRE Finance France S.A.

The mBank S.A. Group business segment reporting

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

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
Net interest income	**753 223**	**19 053**	**1 462 644**	**(9 109)**	**-**	**2 225 811**	**2 225 811**
- sales to external clients	623 208	665 891	941 485	(4 773)	-	2 225 811	
- sales to other segments	130 015	(646 838)	521 159	(4 336)	-	-	
Net fee and commission income	**311 346**	**52 705**	**457 499**	**(3 780)**	**16 968**	**834 738**	**834 738**
- sales to external clients	295 345	65 098	478 101	(3 806)	-	834 738	
- sales to other segments	16 001	(12 393)	(20 602)	26	16 968	-	
Dividend income	**24 454**	**121**	**64**	**2 217**	**-**	**26 856**	**26 856**
Trading income	**199 517**	**23 117**	**120 411**	**(67)**	**-**	**342 978**	**342 978**
Gains less losses from investment securities, investments in subsidiaries and associates	**8 747**	**56 327**	**13 504**	**-**	**-**	**78 578**	**78 578**
Other operating income	**88 897**	**2 171**	**141 999**	**161 597**	**(19 843)**	**374 821**	**374 821**
Net impairment losses on loans and advances	**(180 818)**	**807**	**(297 719)**	**(48)**	**-**	**(477 778)**	**(477 778)**
Overhead costs	**(523 955)**	**(124 926)**	**(812 064)**	**(32 083)**	**2 875**	**(1 490 153)**	**(1 490 153)**
Amortization and depreciation	**(70 011)**	**(12 198)**	**(102 517)**	**(3 164)**	**-**	**(187 890)**	**(187 890)**
Other operating expenses	**(38 148)**	**(2 087)**	**(71 938)**	**(98 085)**	**-**	**(210 258)**	**(210 258)**
Gross profit of the segment	**573 252**	**15 090**	**911 883**	**17 478**	**-**	**1 517 703**	**1 517 703**
Income tax						(308 725)	(308 725)
Net profit attributable to Owners of mBank S.A.						1 206 375	1 206 375
Net profit attributable to non-controlling interests						2 603	2 603
Assets of the segment	**24 740 104**	**36 084 994**	**42 526 861**	**930 802**	**-**	**104 282 761**	**104 282 761**
Liabilities of the segment	**20 307 650**	**35 443 564**	**37 577 996**	**697 113**	**-**	**94 026 323**	**94 026 323**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(103 014)	(10 192)	(115 323)	(181)	-	(228 710)	
Other costs/ income without cash outflows/ inflows*	2 704	17 333	5 560	-	-	25 597	
- other non-cash costs	*(369)*	*(1 388 593)*	*730*	-	-	*(1 388 232)*	
- other non-cash income	*3 073*	*1 405 926*	*4 830*	-	-	*1 413 829*	

* Other costs/income without cash outflows/inflows includes income and expenses arising from valuation of trading financial instruments and foreign exchange result as well as changes in technical-insurance provisions.

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 31 December 2012
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Eliminations	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates & Institutions	Trading & Investment					
Net interest income	**727 168**	**133 281**	**1 432 121**	**(13 722)**	**749**	**2 279 597**	**2 279 597**
- sales to external clients	594 238	854 850	831 207	(698)	-	2 279 597	
- sales to other segments	132 930	(721 569)	600 914	(13 024)	749	-	
Net fee and commission income	**309 460**	**37 451**	**426 328**	**(2 739)**	**16 046**	**786 546**	**786 546**
- sales to external clients	287 611	54 782	446 892	(2 739)	-	786 546	
- sales to other segments	21 849	(17 331)	(20 564)	-	16 046	-	
Dividend income	**11 045**	**223**	**62**	**2 572**	**-**	**13 902**	**13 902**
Trading income	**184 315**	**37 958**	**134 785**	**(516)**	**-**	**356 542**	**356 542**
Gains less losses from investment securities, investments in subsidiaries and associates	**(974)**	**33 557**	**2 008**	**10 375**	**-**	**44 966**	**44 966**
Other operating income	**78 543**	**4 721**	**117 182**	**119 667**	**(44 392)**	**275 721**	**275 721**
Net impairment losses on loans and advances	**(166 661)**	**(15 383)**	**(262 584)**	**(7)**	**-**	**(444 635)**	**(444 635)**
Overhead costs	**(510 327)**	**(125 380)**	**(820 397)**	**(37 207)**	**27 597**	**(1 465 714)**	**(1 465 714)**
Amortization and depreciation	**(79 350)**	**(11 550)**	**(101 627)**	**(3 090)**	**-**	**(195 617)**	**(195 617)**
Other operating expenses	**(40 492)**	**(1 240)**	**(68 463)**	**(76 305)**	**-**	**(186 500)**	**(186 500)**
Gross profit of the segment	**512 727**	**93 638**	**859 415**	**(972)**	**-**	**1 464 808**	**1 464 808**
Income tax						(266 906)	(266 906)
Net profit attributable to Owners of mBank S.A.						1 197 321	1 197 321
Net profit attributable to non-controlling interests						581	581
Assets of the segment	**25 136 704**	**34 087 188**	**42 086 323**	**834 768**	**-**	**102 144 983**	**102 144 983**
Liabilities of the segment	**20 660 447**	**33 081 039**	**37 810 589**	**973 987**	**-**	**92 526 062**	**92 526 062**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(112 233)	(24 152)	(86 477)	(1 834)	-	(224 696)	
Other costs/ income without cash outflows/ inflows*	6 137	53 372	5 934	133	-	65 576	
- other non-cash costs	*(877)*	*(2 243 438)*	-	-	-	*(2 244 315)*	
- other non-cash income	*7 014*	*2 296 810*	*5 934*	*133*	-	*2 309 891*	

* Other costs/income without cash outflows/inflows includes income and expenses arising from valuation of trading financial instruments and foreign exchange result as well as changes in technical-insurance provisions.

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The mBank S.A. Group geographical areas reporting

Geographical areas reporting on the activities of mBank S.A. Group for the period	from 1 January to 31 December 2013			from 1 January to 31 December 2012		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	2 124 260	101 551	**2 225 811**	2 186 394	93 203	**2 279 597**
Net fee and commission income	811 613	23 125	**834 738**	766 984	19 562	**786 546**
Dividend income	26 856	-	**26 856**	13 902	-	**13 902**
Trading income	337 150	5 828	**342 978**	352 828	3 714	**356 542**
Gains less losses from investment securities, investments in subsidiaries and associates	78 578	-	**78 578**	44 966	-	**44 966**
Other operating income	370 182	4 639	**374 821**	270 590	5 131	**275 721**
Net impairment losses on loans and advances	(467 468)	(10 310)	**(477 778)**	(430 487)	(14 148)	**(444 635)**
Overhead costs	(1 395 426)	(94 727)	**(1 490 153)**	(1 387 584)	(78 130)	**(1 465 714)**
Amortization and depreciation	(183 337)	(4 553)	**(187 890)**	(190 779)	(4 838)	**(195 617)**
Other operating expenses	(202 490)	(7 768)	**(210 258)**	(177 385)	(9 115)	**(186 500)**
Gross profit of the segment	1 499 918	17 785	**1 517 703**	1 449 429	15 379	**1 464 808**
Income tax			(308 725)			(266 906)
Net profit attributable to Owners of mBank S.A.			1 206 375			1 197 321
Net profit attributable to non-controlling interests			2 603			581
Assets of the segment, including:	101 649 833	2 632 928	**104 282 761**	99 933 059	2 211 924	**102 144 983**
- tangible assets	1 147 730	17 167	1 164 897	1 192 443	17 584	**1 210 027**
- deferred income tax assets	367 611	3 210	370 821	387 316	3 866	**391 182**
Liabilities of the segment	85 956 950	8 069 373	**94 026 323**	85 741 819	6 784 243	**92 526 062**

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5. Net interest income

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 841 195	3 266 564
Investment securities	884 205	870 692
Cash and short-term placements	78 807	127 562
Trading debt securities	43 693	70 854
Interest income on derivatives classified into banking book	88 583	172 733
Interest income on derivatives concluded under the hedge accounting	181	-
Other	13 307	14 712
Total interest income	**3 949 971**	**4 523 117**
Interest expense		
Arising from amounts due to banks	(256 936)	(353 037)
Arising from amounts due to customers	(1 133 931)	(1 611 479)
Arising from issue of debt securities	(191 965)	(182 356)
Other borrowed funds	(64 101)	(62 941)
Interest expense on derivatives concluded under the hedge accounting	-	(945)
Other	(77 227)	(32 762)
Total interest expense	**(1 724 160)**	**(2 243 520)**

Interest income related to impaired financial assets amounted to PLN 178 515 thousand (31 December 2012: PLN 195 224 thousand).

6. Net fee and commission income

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Fee and commission income		
Payment cards-related fees	413 729	393 837
Credit-related fees and commissions	227 600	216 304
Commissions from insurance activity	106 637	122 280
Fees from brokerage activity	91 607	76 654
Commissions from bank accounts	154 980	127 574
Commissions from money transfers	88 239	87 793
Commissions due to guarantees granted and trade finance commissions	37 864	36 879
Commissions for agency service regarding sale of products of external financial entities	77 413	62 524
Commissions on trust and fiduciary activities	19 393	17 469
Fees from portfolio management services and other management-related fees	14 402	9 677
Other	71 970	65 888
Total fee and commission income	**1 303 834**	**1 216 879**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

Fee and commission expense		
Payment cards-related fees	(217 668)	(182 739)
Commissions paid to external entities for sale of the Bank's products	(64 706)	(65 142)
Insurance activity-related fees	(3 628)	(10 471)
Discharged brokerage fees	(26 191)	(23 966)
Other discharged fees	(156 903)	(148 015)
Total fee and commission expense	**(469 096)**	**(430 333)**

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Fee and commission income from insurance activity		
- Income from insurance intermediation	87 556	101 919
- Income from insurance policies administration	19 081	20 361
Total fee and commission income from insurance activity	**106 637**	**122 280**

7. Dividend income

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Trading securities	49	162
Securities available for sale	26 807	13 740
Total dividend income	**26 856**	**13 902**

In 2013, the amount of PLN 26 807 thousand includes the value of dividend in amount of PLN 9 423 thousand received in advance from PZU S.A. for the year 2013.

8. Net trading income

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Foreign exchange result	**282 545**	**324 006**
Net exchange differences on translation	239 853	218 907
Net transaction gains/(losses)	42 692	105 099
Other net trading income and result on hedge accounting	**60 433**	**32 536**
Interest-bearing instruments	49 627	24 002
Equity instruments	(27)	3 077
Market risk instruments	2 833	4 118
Result on hedge accounting, including:	8 000	1 339
- Net profit on hedged items	7 101	(3 705)
- Net profit on hedging instruments	899	5 044
Total net trading income	**342 978**	**356 542**

'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.

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.

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In addition, from October 2012 the Group applies fair value hedge accounting of Eurobonds issued by BRE Finance France S.A., subsidiary of mBank S.A. An Interest Rate Swap is the hedging instrument changing the fixed interest rate to a variable interest rate.

In both 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 above note.

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

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Sale/redemption of financial assets available for sale, investments in subsidiaries and associates	79 030	43 063
Impairment of investments in subsidiaries	(452)	1 903
Total gains and losses from investment securities	**78 578**	**44 966**

10. Other operating income

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	142 651	84 831
Income from insurance activity net	82 931	71 574
Income from services provided	30 818	32 553
Net income from operating lease	14 873	20 680
Income due to release of provisions for future commitments	36 195	11 393
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	1 169	96
Income from compensations, penalties and fines received	184	494
Income from the release of impairment provisions for tangible fixed assets and intangible assets	-	12 300
Other	66 000	41 800
Total other operating income	**374 821**	**275 721**

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

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

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

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

Net income from insurance activity generated for the four quarters of 2013 and the four quarters of 2012 is presented below.

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the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Income from premiums		
- Premiums attributable	183 877	174 414
- Change in provision for premiums	2 518	473
Premiums earned	**186 395**	**174 887**
Reinsurer's shares		
- Gross premiums written	(72 131)	(74 135)
- Change in unearned premiums reserve	(2 098)	5 910
Reinsurer's share in premiums earned	**(74 229)**	**(68 225)**
Net premiums earned	**112 166**	**106 662**
Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(73 133)	(60 519)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(13 287)	(23 214)
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	51 868	40 334
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	9 274	13 184
Claims and benefits net	**(25 278)**	**(30 215)**
- Other costs net of reinsurance	(3 744)	(4 515)
- Other operating income	8	(67)
- Costs of expertise and certificates concerning underwriting risk	(221)	(291)
Total net income from insurance activity	**82 931**	**71 574**

Net income from operating lease for the four quarters of 2013 and the four quarters of 2012 is presented below.

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Net income from operating lease, including:		
- Income from operating lease	66 667	72 237
- Depreciation cost of fixed assets provided under operating lease	(51 794)	(51 557)
Total net income from operating lease	**14 873**	**20 680**

11. Net impairment losses on loans and advances

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Net impairment losses on amounts due from other banks	282	437
Net impairment losses on loans and advances to customers	(468 485)	(429 115)
Net impairment losses on off-balance sheet contingent liabilities due to customers	(9 575)	(15 957)
Total net impairment losses on loans and advances	**(477 778)**	**(444 635)**

IFRS Condensed Consolidated Financial Statements for the fourth quarter of 2013 PLN (000's)

12. Overhead costs

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Staff-related expenses	(808 259)	(808 425)
Material costs	(586 658)	(564 399)
Taxes and fees	(30 011)	(25 069)
Contributions and transfers to the Bank Guarantee Fund	(58 228)	(60 454)
Contributions to the Social Benefits Fund	(6 782)	(6 511)
Other	(215)	(856)
Total overhead costs	**(1 490 153)**	**(1 465 714)**

Staff-related expenses for four quarters of 2013 and four quarters of 2012 are presented below.

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Wages and salaries	(657 993)	(661 772)
Social security expenses	(98 847)	(94 718)
Employee contributions related to post-employment benefits	(857)	(1 057)
Remuneration concerning share-based payments, including:	(15 886)	(12 216)
- share-based payments settled in mBank S.A. shares	(14 884)	(11 365)
- cash-settled share-based payments	(1 002)	(851)
Other staff expenses	(34 676)	(38 662)
Staff-related expenses, total	**(808 259)**	**(808 425)**

13. Other operating expenses

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(114 796)	(64 167)
Provisions for future commitments	(42 593)	(51 603)
Donations made	(2 726)	(2 764)
Compensation, penalties and fines paid	(718)	(1 303)
Costs arising from provisions created for other receivables (excluding loans and advances)	(4 624)	(6 491)
Costs of sale of services	(1 799)	(1 597)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(478)	(137)
Impairment provisions created for tangible fixed assets, intangible assets and other non-financial assets	-	(15 387)
Other operating costs	(42 524)	(43 051)
Total other operating expenses	**(210 258)**	**(186 500)**

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

Costs of sale of services concern non-banking services.

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14. Earnings per share

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

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Basic:		
Net profit attributable to Owners of mBank S.A.	1 206 375	1 197 321
Weighted average number of ordinary shares	42 155 456	42 118 904
Net basic profit per share (in PLN per share)	**28.62**	**28.43**
Diluted:		
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share	1 206 375	1 197 321
Weighted average number of ordinary shares	42 155 456	42 118 904
Adjustments for:		
- share options	12 035	39 728
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 167 491	42 158 632
Diluted earnings per share (in PLN per share)	**28.61**	**28.40**

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

the period	from 01.01.2013 to 31.12.2013	from 01.01.2012 to 31.12.2012
Basic:		
Net profit	1 070 306	1 193 575
Weighted average number of ordinary shares	42 155 456	42 118 904
Net basic profit per share (in PLN per share)	**25.39**	**28.34**
Diluted:		
Net profit applied for calculation of diluted earnings per share	1 070 306	1 193 575
Weighted average number of ordinary shares	42 155 456	42 118 904
Adjustments for:		
- share options	12 035	39 728
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 167 491	42 158 632
Diluted earnings per share (in PLN per share)	**25.38**	**28.31**

15. Trading securities

	31.12.2013			30.09.2013			31.12.2012		
	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:	**482 343**	**252 278**	**734 621**	**448 655**	**915 838**	**1 364 493**	**550 040**	**559 644**	**1 109 684**
Issued by government	135 981	252 278	388 259	241 838	915 838	1 157 676	246 453	559 644	806 097
- government bonds	135 981	252 278	388 259	241 838	915 838	1 157 676	246 134	559 644	805 778
- treasury bills	-	-	-	-	-	-	319	-	319
Other debt securities	346 362	-	346 362	206 817	-	206 817	303 587	-	303 587
- bank's bonds	264 922	-	264 922	167 020	-	167 020	231 196	-	231 196
- deposit certificates	37 787	-	37 787	19 738	-	19 738	26 459	-	26 459
- corporate bonds	43 653	-	43 653	20 059	-	20 059	45 932	-	45 932
Equity securities:	**28 443**	**-**	**28 443**	**38 157**	**-**	**38 157**	**41 202**	**-**	**41 202**
- listed	6 893	-	6 893	3 777	-	3 777	10 986	-	10 986
- unlisted	21 550	-	21 550	34 380	-	34 380	30 216	-	30 216
Total debt and equity securities:	**510 786**	**252 278**	**763 064**	**486 812**	**915 838**	**1 402 650**	**591 242**	**559 644**	**1 150 886**

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16. Derivative financial instruments

	31.12.2013		30.09.2013		31.12.2012	
	assets	liabilities	assets	liabilities	assets	liabilities
Held for trading derivative financial instruments classified into banking book	137 092	40 303	99 800	26 881	158 840	39 540
Held for trading derivative financial instruments classified into trading book	2 212 493	2 411 656	2 173 300	2 444 088	2 643 855	3 430 946
Derivative financial instruments held for hedging	-	7 756	35 953	1 464	-	6 198
Total derivative financial instruments assets/liabilities	**2 349 585**	**2 459 715**	**2 309 053**	**2 472 433**	**2 802 695**	**3 476 684**

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.

Due to the application of 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 and fair value hedge accounting of Eurobonds issued by BRE Finance France S.A. within interest rate swaps, the Group distinguished instruments that hedge the risk of changes in interest rate. Result from valuation of the hedged item and hedging instruments is presented in this consolidated financial statement in item 'Net income from other trading operations and hedge accounting' in Note 8.

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. Loans and advances to customers

	31.12.2013	30.09.2013	31.12.2012
Loans and advances to individuals:	**38 307 915**	**38 855 400**	**37 704 084**
- current accounts	4 978 854	5 053 682	4 600 545
- term loans, including:	33 329 061	33 801 718	33 103 539
housing and mortgage loans	28 692 896	29 259 376	29 093 843
Loans and advances to corporate entities:	**29 475 274**	**30 210 970**	**28 405 403**
- current accounts	3 597 377	4 270 661	4 255 092
- term loans:	21 076 873	21 412 485	20 897 898
corporate & institutional enterprises	5 115 320	5 459 624	5 857 708
medium & small enterprises	15 961 553	15 952 861	15 040 190
- reverse repo / buy-sell-back transactions	3 287 066	3 006 449	2 024 380
- other	1 513 958	1 521 375	1 228 033
Loans and advances to public sector	**2 177 976**	**2 353 393**	**2 698 549**
Other receivables	**620 627**	**547 764**	**667 327**
Total (gross) loans and advances to customers	**70 581 792**	**71 967 527**	**69 475 363**
Provisions for loans and advances to customers (negative amount)	(2 371 407)	(2 760 864)	(2 528 533)
Total (net) loans and advances to customers	**68 210 385**	**69 206 663**	**66 946 830**

Short-term (up to 1 year)	24 596 330	25 384 995	22 895 700
Long-term (over 1 year)	43 614 055	43 821 668	44 051 130

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

Loans to micro enterprises in the presented reporting periods amounted to respectively: 31 December 2013 – PLN 4 041 584 thousand, 30 September 2013 – PLN 4 057 547 thousand, 31 December 2012 – PLN 3 609 923 thousand.

Provisions for loans and advances

	31.12.2013	30.09.2013	31.12.2012
Incurred but not identified losses			
Gross balance sheet exposure	66 172 572	68 135 312	65 843 104
Impairment provisions for exposures analysed according to portfolio approach	(256 556)	(212 537)	(198 712)
Net balance sheet exposure	**65 916 016**	**67 922 775**	**65 644 392**
Receivables with impairment			
Gross balance sheet exposure	4 409 220	3 832 215	3 632 259
Provisions for receivables with impairment	(2 114 851)	(2 548 327)	(2 329 821)
Net balance sheet exposure	**2 294 369**	**1 283 888**	**1 302 438**

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

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

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

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

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

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

No.	Sectors	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%
		31.12.2013		30.09.2013		31.12.2012	
1.	Household customers	38 307 915	54.27	38 855 400	53.99	37 704 084	54.27
2.	Real estate management	5 401 342	7.65	5 318 193	7.39	4 674 458	6.73
3.	Transport and travel agencies	2 102 952	2.98	2 318 729	3.22	1 737 725	2.50
4.	Public Administration	1 781 251	2.52	1 921 964	2.67	2 177 125	3.13
5.	Building industry	1 761 635	2.50	1 685 317	2.34	2 084 143	3.00
6.	Power industry and heat engineering	1 680 154	2.38	1 615 882	2.25	1 474 800	2.12
7.	Motorization	1 192 851	1.69	1 198 152	1.66	880 978	1.27
8.	Metals	1 183 575	1.68	1 307 929	1.82	1 223 564	1.76
9.	Chemistry and plastic processing	957 713	1.36	912 298	1.27	719 518	1.04
10.	Groceries	906 962	1.28	961 608	1.34	855 409	1.23
11.	Liquid fuels and natural gas	882 918	1.25	954 206	1.33	1 392 174	2.00
12.	Building materials	834 755	1.18	982 631	1.37	742 360	1.07
13.	Wood and furniture	754 178	1.07	822 508	1.14	632 047	0.91
14.	Other retail trade	739 214	1.05	768 100	1.07	548 978	0.79
15.	Other wholesale trade	662 973	0.94	604 123	0.84	888 033	1.28
16.	Meat processing industry	613 667	0.87	623 646	0.87	593 134	0.85
17.	Pharmaceuticals and health care	594 231	0.84	621 909	0.86	680 846	0.98
18.	Drags	506 154	0.72	332 798	0.46	298 231	0.43
19.	Telecommunication	500 479	0.71	557 977	0.78	618 089	0.89
20.	Hotels and restaurants	422 679	0.60	378 492	0.53	432 268	0.62
21.	Management, consulting, advertising	373 151	0.53	379 587	0.53	404 098	0.58
22.	Leasing and renting	273 930	0.39	279 038	0.39	429 591	0.62

As at 31 December 2013, the total exposure of the Group in the above sectors (excluding household customers) amounted to 34.19% of the credit portfolio (30 September 2013 – 34.13%, 31 December 2012 – 33.80%).

18. Investment securities

	31.12.2013			30.09.2013			31.12.2012		
	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	**19 303 219**	**5 766 038**	**25 069 257**	**20 035 411**	**4 587 607**	**24 623 018**	**17 174 158**	**2 546 282**	**19 720 440**
Issued by government	12 839 094	5 744 542	18 583 636	13 175 560	4 586 407	17 761 967	9 076 533	2 420 333	11 496 866
- government bonds	12 839 094	5 744 542	18 583 636	13 175 560	4 586 407	17 761 967	9 076 533	2 420 035	11 496 568
- treasury bills	-	-	-	-	-	-	-	298	298
Issued by central bank	6 292 700	21 496	6 314 196	6 710 413	1 200	6 711 613	7 855 805	125 949	7 981 754
Other debt securities	171 425	-	171 425	149 438	-	149 438	241 820	-	241 820
- bank's bonds	25 222	-	25 222	64 995	-	64 995	123 901	-	123 901
- corporate bonds	107 820	-	107 820	48 123	-	48 123	80 131	-	80 131
- communal bonds	38 383	-	38 383	36 320	-	36 320	37 788	-	37 788
Equity securities:	**272 506**	**-**	**272 506**	**271 336**	**-**	**271 336**	**272 948**	**-**	**272 948**
Listed	229 617	-	229 617	226 395	-	226 395	225 108	-	225 108
Unlisted	42 889	-	42 889	44 941	-	44 941	47 840	-	47 840
Total debt and equity securities:	**19 575 725**	**5 766 038**	**25 341 763**	**20 306 747**	**4 587 607**	**24 894 354**	**17 447 106**	**2 546 282**	**19 993 388**
Short-term (up to 1 year)	6 706 581	23 494	6 730 075	7 294 999	666 734	7 961 733	8 794 515	156 185	8 950 700
Long-term (over 1 year)	12 869 144	5 742 544	18 611 688	13 011 748	3 920 873	16 932 621	8 652 591	2 390 097	11 042 688

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

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As at 31 December 2013, presented above value of equity securities includes provisions for impairment of PLN 11 422 thousand (30 September 2013: PLN 10 922 thousand, 31 December 2012: PLN 10 970 thousand).

As at 31 December 2013, listed equity securities include fair value of PZU shares in amount of PLN 212 430 thousand, (30 September 2013 – PLN 200 671 , 31 December 2012 – PLN 206 775 thousand).

19. Intangible assets

	31.12.2013	30.09.2013	31.12.2012
Development costs	382	407	490
Goodwill	4 728	4 728	4 728
Patents, licences and similar assets, including:	343 802	306 831	282 619
- computer software	289 606	249 225	228 750
Other intangible assets	7 067	7 341	7 968
Intangible assets under development	99 366	101 863	140 318
Total intangible assets	**455 345**	**421 170**	**436 123**

20. Tangible assets

	31.12.2013	30.09.2013	31.12.2012
Tangible fixed assets, including:	672 519	676 757	733 553
- land	1 267	1 267	1 175
- buildings and structures	215 061	215 635	219 773
- equipment	147 926	154 845	162 573
- vehicles	190 017	187 851	212 490
- other fixed assets	118 248	117 159	137 542
Fixed assets under construction	37 033	46 331	40 351
Total tangible fixed assets	**709 552**	**723 088**	**773 904**

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21. Amounts due to customers

	31.12.2013	30.09.2013	31.12.2012
Individual customers:	**34 203 119**	**32 594 899**	**33 233 757**
Current accounts	24 260 502	24 510 138	21 059 319
Term deposits	9 889 000	8 044 975	12 121 656
Other liabilities:	53 617	39 786	52 782
- liabilities in respect of cash collaterals	24 566	18 451	32 763
- other	29 051	21 335	20 019
Corporate customers:	**26 752 869**	**26 635 654**	**24 248 650**
Current accounts	12 849 839	11 760 804	11 731 164
Term deposits	6 434 108	8 971 988	8 336 226
Loans and advances received	2 100 331	1 925 264	1 696 404
Repo transactions	4 629 955	3 380 943	1 883 368
Other liabilities:	738 636	596 655	601 488
- liabilities in respect of cash collaterals	433 438	410 015	408 776
- other	305 198	186 640	192 712
Public sector customers:	**717 539**	**854 521**	**501 193**
Current accounts	579 319	539 244	387 383
Term deposits	129 981	313 319	110 765
Other liabilities:	8 239	1 958	3 045
- liabilities in respect of cash collaterals	137	-	152
- other	8 102	1 958	2 893
Total amounts due to customers	**61 673 527**	**60 085 074**	**57 983 600**

Short-term (up to 1 year)	57 590 020	57 211 284	55 788 507
Long-term (over 1 year)	4 083 507	2 873 790	2 195 093

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

In the presented reporting periods the value of liabilities in respect of current accounts and term deposits accepted from micro enterprises amounted to respectively: 31 December 2013 – PLN 2 784 616 thousand, 30 September 2013 – PLN 2 185 309 thousand, 31 December 2012 - PLN 3 299 478 thousand.

22. Provisions

	31.12.2013	30.09.2013	31.12.2012
For off-balance sheet granted contingent liabilities *	56 068	53 627	46 462
For legal proceedings	56 275	42 808	47 204
Technical-insurance provisions	87 168	82 205	84 512
Other	28 717	28 906	35 149
Total provisions	**228 228**	**207 546**	**213 327**

* includes valuation of financial guarantees

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Movements in the provisions

	31.12.2013	30.09.2013	31.12.2012
As at the beginning of the period (by type)	**213 327**	**213 327**	**153 168**
For off-balance sheet granted contingent liabilities	46 462	46 462	30 906
For legal proceedings	47 204	47 204	25 644
Technical-insurance provisions	84 512	84 512	80 864
Other	35 149	35 149	15 754
Change in the period (due to)	**14 901**	**(5 781)**	**60 159**
- increase of provisions	151 373	100 573	224 404
- release of provisions	(115 307)	(86 304)	(160 168)
- write-offs	(20 942)	(20 122)	(2 697)
- utilization	(150)	(150)	-
- foreign exchange differences	(73)	222	(1 380)
As at the end of the period (by type)	**228 228**	**207 546**	**213 327**
For off-balance sheet granted contingent liabilities	56 068	53 627	46 462
For legal proceedings	56 275	42 808	47 204
Technical-insurance provisions	87 168	82 205	84 512
Other	28 717	28 906	35 149

23. Assets and provisions for deferred income tax

Deferred income tax assets	31.12.2013	30.09.2013	31.12.2012
As at the beginning of the period	**737 353**	**737 353**	**646 760**
Changes recognized in the income statement	(122 461)	(87 775)	95 516
Changes recognized in other comprehensive income	124	(3 856)	(4 492)
Other changes	(664)	(374)	(431)
As at the end of the period	**614 352**	**645 348**	**737 353**

Provisions for deferred income tax	31.12.2013	30.09.2013	31.12.2012
As at the beginning of the period	**(347 833)**	**(347 833)**	**(319 939)**
Changes recognized in the income statement	56 775	10 944	34 704
Changes recognized in other comprehensive income	45 104	49 886	(62 568)
Other changes	(531)	-	(30)
As at the end of the period	**(246 485)**	**(287 003)**	**(347 833)**

In calculation of deferred tax asset the Bank has taken into account tax losses incurred by foreign branch in Czech Republic in years 2009-2011. The tax losses incurred by foreign branch in Slovakia were not taken into account by the Bank in this calculation. Including losses of Czech branch and excluding losses of Slovak branch in deferred tax asset calculation resulted from assessment of the tax base in the current year and in the subsequent fiscal years (including the periods scheduled for settlement of tax losses), in the Czech Republic and Slovakia, respectively. On the basis of adopted financial projections and the level of tax base for 2013 it could be stated that in the case of: (i) losses of the Czech branch - reaching the tax base making it possible to deduct the tax losses or a higher tax base is probable, (ii) losses of the Slovak branch - reaching the tax base making it possible to offset negative temporary differences and deduct tax losses is not probable.

24. Capital adequacy ratio

Data relating to the capital adequacy ratio for comparative periods has not been restated. In the Group opinion, capital adequacy ratio is a regulatory and not accounting measure and should not be subject to retrospective conversion. Apart of this, any retrospective restatement of calculating capital adequacy ratios would not affect significantly their level.

Selected explanatory information

1. Compliance with international financial reporting standards

The presented consolidated report for the fourth quarter of 2013 fulfils the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' relating to interim financial reports.

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

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the Notes to the Condensed Consolidated Financial Statements for the fourth quarter of 2013. The accounting policies were applied consistently over all periods presented in the financial statements.

3. Seasonal or cyclical nature of the business

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

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

Events as indicated above did not occur in the Group.

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

The impact of changes in the methodology of measuring impairment of loans and advances for the structure of provisions for loans and advances portfolio and the level of receivables with impairment is described under Note 3, Note 17 and in the point "Financial performance of mBank S.A. Group in Q4 2013". Besides the above described, in the fourth quarter of 2013, there were no significant changes in estimate values of items presented in previous reporting periods.

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

On 22 November 2013, BRE Finance France S.A. (BFF), a subsidiary of the Bank (the Bank holds 99.98% of the subsidiary's shares), issued the next tranche of Eurobonds with a nominal value of CZK 500 000 thousand (equivalent to PLN 77 100 at the average exchange rate of the National Bank of Poland as at 22 November 2013) maturing on 6 December 2018. The settlement of the issue took place on 6 December 2013.

On 6 December 2013, the funds raised from the issue in the amount of CZK 500 000 thousand, on the basis of the agreement concluded on 22 November 2013, were deposited by BFF in mBank S.A. as the security deposit to back the guarantee in amount of CZK 500 000 to secure the payment obligations from the Eurobonds.

On 3 December 2013, mBank S.A. issued subordinated bonds with a total nominal value of PLN 500 000 thousand. Were issued 5 000 pieces of bonds with a nominal value of PLN 100 000 each. The maturity date is 20 December 2023. Starting from 2 January 2014, issued subordinated bonds are listed in the alternative trading system of debt securities operated by BondSpot S.A. with headquarters in Warsaw. According to the Banking Act, Art. 127, Paragraph 3, point 3, letter b., the Bank applied to the Polish Financial Supervision Authority for approval to subject the financial liabilities in amount of PLN 500 000 acquired by the Bank in respect of the above mentioned issue of subordinated bonds as the supplementary funds.

In the fourth quarter 2013, mBank Hipoteczny S.A. (mBH S.A.) issued bonds in amount of PLN 115 000 thousand and mortgage bonds in amount of EUR 50 000 thousand. In the same time, mBH S.A. redeemed bonds in amount of PLN 190 000 thousand and mortgage bonds in amount of PLN 200 000 thousand.

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

On 11 April 2013, the XXVI Ordinary General Meeting of BRE Bank S.A. adopted a resolution regarding the distribution of the profit with the decision to pay a dividend for the year 2012. The dividend to the shareholders contributed an amount of PLN 421 419 860, wherein the amount of the dividend per one share was PLN 10. Number of shares eligible for dividend was 42 141 986. The dividend date was fixed for the 15th of May 2013. Payment of the dividend was on 29 May 2013.

8. Significant events after the end of the fourth quarter of 2013, 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 2013, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

In November 2013, mBank S.A. acquired 100% shares of BDH Development Sp. z o.o. The transaction was described under Note 1 of these condensed consolidation financial statements.

10. Changes in contingent liabilities and commitments

In the fourth quarter of 2013, there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

Events as indicated above did not occur in the Group.

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

Events as indicated above did not occur in the Group.

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

Data regarding write-offs on account of impairment of financial assets are presented in Note 9 and 11 of these condensed consolidated financial statements.

14. Reversals of provisions against restructuring costs

Events as indicated above did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the fourth quarter of 2013, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and property development operations that are performed by the companies of the Group.

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

Events as indicated above did not occur in the Group.

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

In the fourth quarter of 2013, 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

Events as indicated above did not occur in the Group.

19. Corrections of errors from previous reporting periods

In the fourth quarter of 2013, there were no corrections of errors from previous reporting periods.

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

Events as indicated above did not occur in the Group.

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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 quarterly report compared to the forecast

mBank S.A. did not publish a performance forecast for the year 2013.

22. Registered share capital

The total number of ordinary shares as at 31 December 2013 was 42 174 013 shares (31 December 2012: 42 138 976) at PLN 4 nominal value each (31 December 2012: PLN 4). All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 DECEMBER 2013						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 982 000	39 928 000	fully paid in cash	1986
ordinary registered*	-	-	18 000	72 000	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
Total number of shares			**42 174 013**			
Total registered share capital				**168 696 052**		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

23. Material share packages

In the fourth quarter of 2013, 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 2013 it held 69.60% of the share capital and votes at the General Meeting of mBank S.A.

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

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

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

On 2 August 2013, mBank S.A. received from AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK ("Aviva OFE") notification of exceeding 5% of the total number of votes at the General Meeting of mBank S.A. Prior to the acquisition of shares Aviva OFE held 2 070 319 shares of mBank S.A., representing 4.91% of the share capital (issued shares) of the Bank and carrying 2 070 319 votes at the General Meeting of mBank S.A., which represented 4.91% of total votes.

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Following the acquisition, as at 31 July 2013, Aviva OFE held 21 140 284 shares of mBank S.A., representing 5.08% of the share capital of the Bank and carrying 2 140 284 votes at the General Meeting of mBank S.A., which were representing 5.08% of the total number of votes.

In the fourth quarter of 2013, the National Depository of Securities (KDPW) has registered 3 761 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 2013 the Bank's share capital increased by PLN 15 044.

In connection with the registration by KDPW on 10 January 2014, 1 545 shares of mBank S.A., the Bank's share capital increased on 10 January 2014 by the amount of PLN 6 180. The shares were issued as part of the conditional increase in the share capital of the Bank by issuance of shares with no subscription rights for the existing shareholders with the aim of granting those shares to beneficiaries of the incentive programmes. As at the publication date of this financial statements, the share capital of mBank S.A. amounted to PLN 168 702 232 and was divided into 42 175 558 shares.

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

	Number of shares held as at the date of publishing the report for Q3 2013	Number of shares acquired from the date of publishing the report for Q3 2013 to the date of publishing the report for Q4 2013	Number of shares sold from the date of publishing the report for Q3 2013 to the date of publishing the report for Q4 2013	Number of shares held as at the date of publishing the report for Q4 2013
Management Board				
1. Cezary Stypułkowski	-	-	-	-
2. Lidia Jabłonowska-Luba	-	-	-	-
3. Przemysław Gdański	3 036	-	2 036	1 000
4. Joerg Hessenmueller	-	-	-	-
5. Hans-Dieter Kemler	-	-	-	-
6. Cezary Kocik	-	-	-	-
7. Jarosław Mastalerz	-	-	-	-

As at the date of publishing the report for the third quarter of 2013 and as at the date of publishing the report for the fourth quarter of 2013, the Members of the Management Board had no Bank rights to shares and they have no Bank rights to shares.

As at the date of publishing the report for the fourth quarter of 2013, Mr. Wiesław Thor, Member of the Supervisory Board of mBank S.A., had 6 463 shares of mBank S.A. As at the date of publishing the report for the third quarter of 2013, Mr. Wiesław Thor had 5 447 shares of mBank S.A. and 1 016 rights to shares of the Bank. As at the date of publishing the report for the third quarter of 2013 and as at the date of publishing the report for the fourth quarter of 2013, the other Members of the Supervisory Board of mBank S.A. had neither Bank shares nor Bank rights to shares.

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

As at 31 December 2013, 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 2013 was also not higher than 10% of the Bank's equity.

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

Report on major proceedings brought against the Bank

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

   BPH brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to cancel actions related to the creation of Garbary and the contribution in kind. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that ZM Pozmeat SA contributed in kind to Garbary as payment for a stake in ZM Pozmeat SA share capital worth PLN 100 000 thousand. On 6 June 2006, the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007, the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the

Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeal dismissed the ruling of the District Court in Poznań on 4 March 2008 and referred the case back. On 16 September 2010, the District Court in Poznań dismissed the claim in whole. On 19 October 2010, BPH filed an appeal against the ruling in question. On 24 February 2011, the Court of Appeal made a decision on revoking the ruling and discontinuance of proceedings involving Bank Pekao S.A. (the Bank entered in the proceedings as successor of BPH) justified by lack of title to bring the action before the court on the side of the Bank. The case was returned to the court of the first instance where it will be continued with the participation of BPH as the claimant. Bank Pekao SA filed the last resort appeal against the aforesaid decision with the Supreme Court. On 25 April 2012, the Supreme Court revoked the aforesaid decision of the Court of Appeal and referred the case back.

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

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

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

3. Claims of clients of Interbrok

170 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 385 520 thousand and via the District Court in Warsaw. In addition, 9 legal compensation suits have been delivered to the Bank. Eight of the nine suits where placed by former clients of Interbrok for the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that the Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. The District Court in Warsaw settled 8 of the aforementioned court cases and dismissed actions in all cases. As a consequence of the Court of Appeal verdict on 4 March 2010, one of the judgments becomes final and valid. On 22 June 2011, the Supreme Court dismissed the plaintiff's cassation appeal in the said case. As far as the remaining cases are concerned, on 21 December 2010 and 17 January 2012, the Court of Appeals revoked the judgments of the District Court and remanded the cases to the District Court in Warsaw for re-examination. On 23 May 2013, the District Court in Warsaw upon re-examination of the case of 6 former clients of Interbrok dismissed actions for a total of PLN 600 thousand. The court case was in whole appealed against by all plaintiffs, whereas in relations to one plaintiff the appeal was rejected. 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, 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 made an appeal against the judgement and is currently waiting for setting the date of a hearing. The verdict of the first instance court does not significantly influence the Bank's perception of the legal risk in this case.

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As at 31 December 2013, 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 2013 was also not higher than 10% of the Bank's equity.

Taxes

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

On 9 January 2014, Director of the First Mazovian Treasury Office in Warsaw (Pierwszy Mazowiecki Urząd Skarbowy w Warszawie) initiated tax audit at the company BRE Ubezpieczenia Sp. z o.o. concerning correctness of the settlement of the value added tax for the third quarter of 2013. The tax audit is still pending.

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

26. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 December 2013, 30 September 2013, and 31 December 2012, were as follows:

mBank S.A. Group consolidated data

	31.12.2013	30.09.2013	31.12.2012
1. Contingent liabilities granted and received	**23 128 865**	**20 098 684**	**18 314 932**
Commitments granted	**21 729 866**	**18 589 472**	**17 537 692**
- financing	18 532 287	15 625 339	14 585 184
- guarantees and other financial facilities	3 188 247	2 963 801	2 549 874
- other commitments	9 332	332	402 634
Commitments received	**1 398 999**	**1 509 212**	**777 240**
- financial commitments	210 735	524 089	-
- guarantees	1 188 264	985 123	777 240
2. Derivative financial instruments (nominal value of contracts)	**602 679 315**	**676 769 864**	**643 818 208**
Interest rate derivatives	558 866 813	630 259 071	604 007 736
Currency derivatives	42 339 260	43 742 513	38 923 265
Market risk derivatives	1 473 242	2 768 280	887 207
Total off-balance sheet items	**625 808 180**	**696 868 548**	**662 133 140**

mBank S.A. stand-alone data

	31.12.2013	30.09.2013	31.12.2012
1. Contingent liabilities granted and received	**24 394 472**	**21 167 854**	**19 486 909**
Commitments granted	**22 997 849**	**19 491 430**	**18 711 412**
- financing	16 875 724	14 335 707	13 675 517
- guarantees and other financial facilities	6 113 125	5 155 723	4 633 495
- other commitments	9 000	-	402 400
Commitments received	**1 396 623**	**1 676 424**	**775 497**
- financial commitments received	210 735	693 530	-
- guarantees received	1 185 888	982 894	775 497
2. Derivative financial instruments (nominal value of contracts)	**604 655 028**	**678 792 377**	**644 321 065**
Interest rate derivatives	559 530 365	631 516 812	604 951 383
Currency derivatives	43 651 657	44 507 761	38 482 961
Market risk derivatives	1 473 006	2 767 804	886 721
Total off-balance sheet items	**629 049 500**	**699 960 231**	**663 807 974**

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.

Up to 27 December 2012, the direct parent of mBank S.A. was Commerzbank Auslandsbanken Holding AG, 100% subsidiary of Commerzbank AG.

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 2013, 30 September 2013, and 31 December 2012 were as follows.

PLN (000's)	mBank S.A. subsidiaries not consolidated by acquisition method			Commerzbank AG Group		
As at the end of the period	**31.12.2013**	**30.09.2013**	**31.12.2012**	**31.12.2013**	**30.09.2013**	**31.12.2012**
Statement of Financial Position						
Assets	59 358	59 343	60 645	948 518	624 695	927 505
Liabilities	1 541	484	994	18 245 291	20 187 463	21 441 573
Income Statement						
Interest income	3 822	2 821	3 623	113 713	86 051	114 886
Interest expense	(34)	(14)	(58)	(345 291)	(260 231)	(381 400)
Fee and commission income	35	29	83	-	-	-
Fee and commission expense	-	-	-	-	-	-
Other operating income	3	2	-	320	178	113
Overhead costs, amortisation and other operating expenses	(70)	(70)	-	(9 022)	(10 071)	(12 309)
Contingent liabilities granted and received						
Liabilities granted	857	854	3 285	1 278 880	912 448	834 033
Liabilities received	-	-	-	717 528	636 838	511 959

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

As at 31 December 2013, 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 under Euro Medium Term Note Programme by BRE Finance France S.A., a subsidiary of the mBank S.A.

On 4 October 2012, the subsidiary issued Eurobonds with a nominal value of EUR 500 000 thousand maturing on 12 October 2015. The guarantee was given on 4 October 2012 for the duration of the Programme, which is until 12 October 2015.

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

On 22 November 2013, BFF 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.

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

On 13 November 2013, Mr Maciej Leśny, Chairman of the Supervisory Board, received from Mr Ulrich Sieber, Member of the Supervisory Board and Deputy Chairman, a letter of resignation from his function as of 30 November 2013. The resignation is related to termination the mandate of Mr Sieber as a Member of the Management Board of Commerzbank AG, of which Commerzbank AG announced in its public information on 6 November 2013.

On 12 December 2013, the Supervisory Board of mBank S.A. appointed Mr Martin Zielke as Member of the Supervisory Board of mBank S.A. effective as of 12 December 2013 for the common term of the Supervisory Board.

30. Factors affecting the results in the coming quarter

Starting from 1 January 2014, IFRIC 21 Interpretation: Levies, entered into force, however, as at the date of publication of these financial statements, it has not been approved by the European Union, therefore, the Group has not been applying this Interpretation from the beginning of 2014.

The Group believes that, the approval of this Interpretation by the European Union and its application will not have an impact on the total level of recognised costs of fees within the financial year, however, it may have an impact on the level of these costs recognised in particular quarters of the financial year, including Q1 2014.