

mBank S.A.

**LONG-FORM AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

I. GENERAL NOTES

1. Background

mBank S.A. (hereinafter 'the Bank') was incorporated on the basis of a Notarial Deed dated 11 December 1986. The Bank's registered office is located in Warsaw at Senatorska 18. On 22 November 2013 the National Court Register registered the name change of the Bank from BRE Bank SA to mBank S.A.

The Bank was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000025237 on 11 July 2001.

The Bank was issued with tax identification number (NIP) 5260215088 on 13 December 2013 and statistical number (REGON) 001254524 on 9 December 2013.

The Bank is the holding company of the mBank S.A. Group ('the Group'). Details of transactions with affiliated entities and the list of companies in which the Bank holds at least 20% of shares in the share capital or in the total number of votes in the Bank's governing body are included in Notes 23 and 44 of the explanatory notes ("the explanatory notes") to the financial statements for year ended 31 December 2013.

The principal activities of the Bank are as follows:

- accepting a-vista and term deposits and maintaining deposit accounts,
- maintaining other bank accounts,
- conducting bank monetary settlements,
- granting loans and cash advances,
- cheque and bill of exchange transactions and transactions in warrants,
- granting and confirming of suretyships,
- issuing and confirming bank guarantees and letters of credit,
- intermediary services in cash transfers and foreign currency settlements,
- issuing bank securities,
- performing commissioned activities relating to issue of securities,
- safekeeping of objects and securities and offering safety deposit box services to clients,
- forward financial transactions,
- forward financial transactions,
- purchasing and sale of debts,
- performing bank representative actions as provided for in the Bonds Act,
- purchasing and sale of foreign currencies,
- issuing payment cards and performing transactions with the use of cards,
- issuing e-money instruments.

As at 31 December 2013, the Bank's issued share capital amounted to 168 696 thousand zlotys and was divisible into 42 174 013 shares.

*mBank S.A.
Long-form auditors' report
for the year ended 31 December 2013
(in thousand zlotys)*

As at 31 December 2013, the ownership structure of the Bank's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares (in zlotys)	% of issued share capital
Commerzbank AG	29 352 897	29 352 897	117 411 588	69.6%
ING Powszechny Fundusz Emerytalny	2 700 000	2 700 000	10 800 000	6.4%
Aviva Otwarty Fundusz Emerytalny Aviva BZ				
WBK	2 140 284	2 140 284	8 561 136	5.1%
Other	7 980 832	7 980 832	31 923 328	18.9%
	-----	-----	-----	-----
Total	42 174 013	42 174 013	168 696 052	100%
	=====	=====	=====	=====

The following changes took place in the ownership structure of the Bank's issued share capital during the financial year ended 31 December 2013 and after the balance sheet date until the date of this opinion:

- On 2 August 2013, the Bank 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 the Bank. Prior to the acquisition of shares Aviva OFE held 2 070 319 shares of the Bank, representing 4.9% of the share capital (issued shares) of the Bank and carrying 2 070 319 votes at the General Meeting of the Bank, which represented 4.9% of total votes.
Following the acquisition, as at 31 July 2013, Aviva OFE held 21 140 284 shares of the Bank, representing 5.1% of the share capital of the Bank and carrying 2 140 284 votes at the General Meeting of the Bank, which were representing 5.1% of the total number of votes.

Movements in the issued share capital of the Bank in the financial year were as follows:

	Number of shares	Par value of shares (in zlotys)
Opening balance	42 138 976	168 555 904
Increase/ decrease in share capital	35 037	140 148
	-----	-----
Closing balance	42 174 013	168 696 052
	=====	=====

In 2013, the National Deposit for Securities (NDS) has registered 35 037 shares of the Bank issued under the conditional share capital increase of the Bank by issuing shares with pre-emptive rights of the existing shareholders, in order to allow for the acquisition of the Bank shares to participants of incentive programs. Following registration of the shares of the Bank's share capital of the Bank increased in 2013 by 140 thousand zlotys.

As at 31 December 2013, the Bank's Management Board was composed of:

Cezary Stypułkowski	- President
Przemysław Gdański	- Vicepresident
Lidia Jabłowska-Luba	- Vicepresident
Hans Dieter Kemler	- Vicepresident
Cezary Kocik	- Vicepresident
Jarosław Mastalerz	- Vicepresident
Jörg Hessenmüller	- Vicepresident

The following changes in Management Board of the Holding Company took place in the reporting:

- under the resolution of Supervisory Board dated 11 April 2013 Ms Lidia Jabłowska-Luba was appointed to the Management Board of the Bank with the effect from 12 April 2013. On September 17, 2013, the Polish Financial Supervision Authority granted consent to the appointment of Ms Lidia Jabłowska-Luba as Vicepresident of Management Board;
- on 11 April 2013 Mr Wiesław Thor ceased to be Vicepresident of the Management Board due to the end of the term.

In the period from the reporting date to the date of the opinion there were no changes in the Management Board of the Bank.

2. Financial Statements

On 27 January 2005 the General Meeting of Shareholders approved on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

2.1 Auditors' opinion and audit of financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly: Ernst & Young Audit sp. z o.o.) with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly: Ernst & Young Audit sp. z o.o.) was appointed by General Meeting of Shareholders on 11 April 2013 to audit the Company's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly: Ernst & Young Audit sp. z o.o.) and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 20 May with the Bank's Management Board, we have audited the financial statements for the year ended 31 December 2013.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an auditors' opinion unqualified opinion dated 3 March 2014, stating the following:

'To the General Shareholders' Meeting of mBank S.A.'

1. We have audited the attached financial statements for year ended 31 December 2013 of mBank S.A.(until 22 November 2013 operating under the name BRE Bank SA, 'Bank') located in Warsaw at Senatorska 18, containing the income statement and the statement of comprehensive income for the period from 1 January 2013 to 31 December 2013, statement of financial position as at 31 December 2013, the statement of changes in equity and the statement of cash flows for the period from 1 January 2013 to 31 December 2013 and explanatory notes to the financial statements ('the attached financial statements').
2. The truth and fairness¹ of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Bank's Management Board. In addition, the Bank's Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Bank and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
 - chapter 7 of the Accounting Act,
 - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Bank's Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided

¹ Translation of the following expression in Polish: 'rzetelność i jasność'

² Translation of the following expression in Polish: 'rzetelnie i jasno'

a reasonable basis to express our opinion on the attached financial statements treated as a whole.

4. Financial statements for the prior financial year ended 31 December 2012 ('Financial Statements for 2012') were subject to an audit by another key certified auditor acting on behalf of another authorised audit firm, who issued an unqualified opinion on this financial statements, dated 7 March 2013. Financial statements for 2012 were restated to the comparative data, presented in the attached financial statements, as described in Note 2.27 of the attached financial statements.
5. In our opinion, the attached financial statements, in all material respects:
 - present truly and fairly all information material for the assessment of the results of the Bank's operations for the period from 1 January 2013 to 31 December 2013, as well as its financial position³ as at 31 December 2013;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
 - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Bank's Articles of Association.
6. We have read the 'Directors' Report for the period from 1 January 2013 to 31 December 2013 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2009.33.259 with subsequent amendments).'

We conducted the audit of the Bank's financial statements during the period from 20 May 2013 to 3 March 2014. We were present at the Bank's head office from 20 May 2013 to 3 March 2014.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the reliable presentation of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 3 March 2014, confirming that:

- the information included in the books of account was complete,
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements,

³ Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

and confirmed that the information provided to us was true and fair to the best of the Management Board's knowledge and belief, and included all events that could have had an effect on the financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

2.3 Financial statements for prior financial year

The Bank's financial statements for the year ended 31 December 2012 were not subject to audit by Agnieszka Accordi-Krawiec, key certified auditor no. 11665, acting on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144. The key certified auditor issued an unqualified opinion on the financial statements for the year ended 31 December 2012. The Bank's financial statements for the year ended 31 December 2012 were approved by the General Shareholders' Meeting on 11 April 2013 and the shareholders resolved to appropriate the 2012 net profit as follows:

Dividends for the shareholders	421 420
Reserve capital	738 064
The general risk fund	40 000
Retained earnings	-

	1 199 484
	=====

The financial statements for the financial year ended 31 December 2012, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 18 April 2013 with the National Court Register.

The closing balances as at 31 December 2012, after restatement of comparative data described in Note 2.27 to the audited financial statements of the Bank were correctly brought forward in the accounts as the opening balances at 1 January 2013.

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Bank for the years 2012 - 2013. The ratios were calculated on the basis of financial information included in the financial statements for year ended 31 December 2012, which were subject to an audit by another key certified auditor acting on behalf of another authorised audit firm, who issued an unqualified opinion on these financial statements, dated 7 March 2013. The financial statements for 2012 were restated to the comparative data, as described in Note 2.27 of the attached financial statements.

*mBank S.A.
Long-form auditors' report
for the year ended 31 December 2013
(in thousand zlotys)*

	2013	2012*
Total assets	100 232 132	98 057 913
Shareholders' equity	9 573 220	9 072 794
Net profit/ loss	1 070 306	1 193 575
 Capital adequacy ratio	 20.59%	 19.66%
 Profitability ratio	 95.96%	 105.35%
 result before taxation		
overhead costs and amortization		
 Cost to income ratio	 44.32%	 42.87%
overhead costs and amortization		
total operating income less other operating expenses ⁴		
 Return on equity (ROE)	 11.48%	 14.31%
net result		
average shareholders' equity ⁵		
 Return on assets	 1.08%	 1.24%
net result		
average assets ⁶		
 Rate of inflation:		
yearly average	0.9%	3.7%
December to December	0.7%	2.4%

3.2 Comments

The following trends may be observed based on the above financial ratios:

- Profitability ratio decreased from 105.35% in 2012 to 95.96% in 2013.
- Cost to income ratio increased from 42.87% in 2012 to 44.32% in 2013.
- Return on equity decreased from 14.31% in 2012 to 11.48% in 2013.
- Return on assets decreased from 1.24% in 2012 to 1.08% in 2013.

⁴ Total operating income less other operating expenses amounted to net interest income, net fee and commission income, dividend income, net trading income, gains less losses from investment securities, investments in subsidiaries and associates and other operating income less other operating expense

⁵ Average shareholders' equity is the average of opening and closing balance of total equity in the particular period.

⁶ Average assets are the average of opening and closing balance of total assets in the particular period.

*Restated data

As of 31 December 2013 the capital adequacy ratio of the Bank accounted for 20.59% in comparison to 19.66% as of 31 December 2012.

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Bank is unable to continue as a going concern for at least twelve months subsequent to 31 December 2013 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 2.1 of the explanatory notes to the audited financial statements for the year ended 31 December 2013, the Management Board has stated that the financial statements were prepared on the assumption that the Bank will continue as a going concern for a period of at least twelve months subsequent to 31 December 2013 and that there are no circumstances that would indicate a threat to its continued activity.

3.4 Application of regulations mitigating banking risk

As at 31 December 2013, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland and Resolutions of the Financial Supervision Committee ('PFSA'), envisaged banking regulatory norms in relation to, among others, the following items:

- concentration engagements,
- concentration of capital share,
- liquidity,
- level of obligatory reserve,
- capital adequacy.

During our audit we have not identified significant deviations by the Bank in above principles during the period from 1 January 2013 to 31 December 2013. We have received written representation from the Management Board that during the year the banking regulatory norms were not breached.

3.5 Correctness of calculation of capital adequacy ratio

During our audit we have not identified any material irregularities in relation to the calculation, in all material respects, of the capital adequacy ratio as of 31 December 2013 in accordance with Resolution no 76/2010 of PFSA dated 10 March 2010 on the scope and detailed principles for determining capital requirements for particular risks (Official PFSA Journal of 2010.2.11 as of 9 April 2010 as amended).

II. DETAILED REPORT

1. Accounting System

The Bank's accounts are kept using the Altamira, Globus, Karat, ESP, Impairment – Korpo, Impairment – Detal, Wyceny_BKF, Impairment ACC Korpo, Impairment ACC Detal, Aplikacja Hedge Accounting computer systems at the Bank's head office. In all material aspects to the audited financial statements, the Bank has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Bank's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies besides the changes described in note 2.27 to the audited financial statements;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

2. Assets, Liabilities and Equity, Profit and Loss Account

Details of the Bank's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2013.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2013.

3. Explanatory notes

The explanatory notes to the financial statements for the year ended 31 December 2013 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

4. Directors' Report

We have read the Directors' report on the Bank's activities in the period from 1 January 2013 to 31 December 2013 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of

securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2009.33.259 with subsequent amendments).

5. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Bank's Articles of Association were breached during the financial year.

6. Materiality Level

When determining the materiality level, professional judgement was applied taking into account the specific characteristics relating to the Bank. This included both qualitative and quantitative considerations.

7. Work of Experts

During our audit we have taken into account the results of the work of the independent property appraisers – in the calculation of the level of loan loss provisions the Bank took into consideration the value of collateral established in valuations performed by property appraisers engaged by the Bank.

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
(formerly: Ernst & Young Audit sp. z o.o.)
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor

(-)

Dominik Januszewski
certified auditor
No. 9707

Warsaw, 3 March 2014