

mBank S.A. GROUP

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

I. GENERAL NOTES

1. Background

The holding company of the mBank S.A. Group (hereinafter 'the Group' or 'the Capital Group') is mBank S.A. ('the holding company', 'the Bank').

The holding company 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 holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU.

The holding company 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 holding company is part of the Commerzbank AG Capital Group.

The principal activities of the holding company 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.

The operations of the Group's subsidiaries, jointly controlled entities and associates include the following activities:

- factoring services;
- leasing of properties;
- administration of buildings;
- raising funds for the holding company;
- trading in securities;
- offering holding company's product to third parties;
- provide comprehensive wealth management services;
- providing mortgage loans;
- insurance activities;
- providing services in the field of data and document management;
- development and assessment of investment projects and their realisation;
- realization of developer projects.

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.

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%
Others	7 980 832	7 980 832	31 923 328	18.9%
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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 holding company 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 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 holding company's Management Board was composed of:

Cezary Stypułkowski	- President
Przemysław Gdański	- Vicepresident
Lidia Jabłonowska-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 period:

- under the resolution of Supervisory Board dated 11 April 2013 Ms Lidia Jabłonowska-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 Jabłonowska-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. Group Structure

As at 31 December 2013, the Bank S.A. Group consisted of the following subsidiaries (direct or indirect):

Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
Aspiro S.A.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
BDH Development Sp. z o.o.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
BRE Agent Ubezpieczeniowy Sp. z o.o.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
BRE Ubezpieczenia Sp. z o.o.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
BRE Ubezpieczenia TUiR S.A.	Acquisition accounting	unqualified opinion	Ernst & Young et Associés	31 December 2013
BRE Finance France S.A.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
Dom Maklerski mBanku S.A.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
Garbary sp. z o.o.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
mCentrum Operacji Sp. z o.o.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
mBank Hipoteczny S.A.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
mFactoring S.A.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
mLocum S.A.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną	31 December 2013

			odpowiedzialnością sp. k.	
mLeasing S.A.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
MLV 45 sp. z o.o sp.k.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
mWealth Management S.A.	Acquisition accounting	in the audit	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2013
Transfinance a.s.	Acquisition accounting	in the audit	Ernst & Young Audit, s.r.o.	31 December 2013

Details of the type and impact of changes in entities included in the consolidation as compared to the prior year may be found in Note 1 of explanatory notes ('the explanatory notes') to the consolidated financial statements of the Group for the year ended 31 December 2013.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated 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 Shareholders' Meeting on 11 April 2013 to audit the Group'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 in charge of the audit 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 2013 with the holding Bank's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2013.

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

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

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

1. We have audited the attached consolidated financial statements of mBank S.A. Group ('the Group'), for which the holding company is mBank S.A. (until 22 November 2013 operating under the name BRE Bank SA, 'the Bank') located in Warsaw at Senatorska 18, for year ended 31 December 2013 containing the consolidated income statement and the consolidated statement of comprehensive income for the period from 1 January 2013 to 31 December 2013, the consolidated statement of financial position as at 31 December 2013, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 January 2013 to 31 December 2013 and explanatory notes to the financial statements ('the attached consolidated financial statements').
2. The truth and fairness¹ of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation 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 consolidated 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 consolidated 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 and whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Group.
3. We conducted our audit of the attached consolidated 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 consolidated 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 consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.
4. Consolidated financial statements for the prior financial year ended 31 December 2012 ('Consolidated 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

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

² Translation of the following expression in Polish: 'rzetelne i jasne'

opinion on these financial statements, dated 7 March 2013. The consolidated financial statements for 2012 were restated to the comparative data, presented in the attached consolidated financial statements, as described in Note 2.33 of the attached consolidated financial statements.

5. In our opinion, the attached consolidated financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the results of the Group'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;
 - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
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 consolidated 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).⁴

We conducted the audit of the consolidated 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.

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness⁴ of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 3 March 2014, from the Management Board of the holding company confirming that:

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

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

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

⁴ Translation of the following expression in Polish: "*rzetelność i jasność*"

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

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited 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 consolidated financial statements for the year ended 31 December 2012. The consolidated financial statements for the year ended 31 December 2012 were approved by the General Shareholders' Meeting on 11 April 2013.

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

4. Analytical Review

4.1 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 consolidated 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 consolidated financial statements, dated 7 March 2013. The consolidated financial statements for 2012 were restated to the comparative data, as described in Note 2.33 of the consolidated financial statements.

	2013	2012*
Total assets	104 202 761	102 144 983
Shareholders' equity	10 256 438	9 618 921
Net profit/ loss	1 208 978	1 197 902
	19.38%	18.73%
Profitability ratio	90.44%	88.17%
<hr/>		
	result before taxation	
	<hr/>	
	overhead costs and amortization	
Cost to income ratio	45.68%	46.53%
	overhead costs and amortization	

	2013	2012*
total operating income less other operating expenses ⁵		
Return on equity (ROE)	12.17%	13.54%
net result		
average shareholders' equity ⁶		
Return on assets	1.17%	1.19%
net result		
average assets ⁷		
Rate of inflation:		
Yearly average	0.9%	3.7%
December to December	0.7%	2.4%

4.2 Comments

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

- Profitability ratio increased from 88.17% in 2012 to 90.44% in 2013.
- Cost to income ratio decreased from 46.53% in 2012 to 45.68% in 2013.
- Return on equity decreased from 13.54% in 2012 to 12.17% in 2013.
- Return on assets decreased from 1.19% in 2012 to 1.17% in 2013.

As of 31 December 2013 the capital adequacy ratio of the Group accounted for 19.38% in comparison to 18.73% as of 31 December 2012.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company 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 consolidated financial statements for the year ended 31 December 2013, the Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities 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.

⁵ 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.

⁶ Average shareholders' equity is the average of opening and closing balance of total equity in the particular period.

⁷ Average assets are the average of opening and closing balance of total assets in the particular period.

*Restated data

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note 2 of the explanatory notes to the Group's audited consolidated financial statements for the year ended 31 December 2013.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2013.

The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method of determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note 2 of the explanatory notes to the audited consolidated financial statements.

3.2 Shareholders' funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. Non-controlling interest amounted to 27 096 thousand zlotys as at 31 December 2013. It was correctly calculated and is consistent with the consolidation documentation.

Information on shareholders' funds has been presented in notes 37 - 40 of the explanatory notes to the audited consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2013 and include the financial data for the period from 1 January 2013 to 31 December 2013.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

During the financial year the Group did not sell any shares in subordinated entities.

6. Items which have an impact on the group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2013.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting

8. Issues specific for the audit of banks

We have addressed the issue of complying by mBank S.A. ('the Bank') with the obligatory norms mitigating banking risks and the issue of correctness of calculation of capital adequacy ratio in our audit report dated 3 March 2014, supplementing the independent auditors' opinion on the financial statements of the Bank for the year ended 31 December 2013.

9. Explanatory Notes

The explanatory notes to the consolidated 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.

10. Directors' Report

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 consolidated 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).

11. Conformity with Law and Regulations

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

12. 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 Group took into consideration the value of collateral established in valuations performed by property appraisers engaged by the Group.

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