

INDEPENDENT AUDITOR'S OPINION

To the Supervisory Board and General Shareholders' Meeting of mBank Hipoteczny S.A.

1. We have audited the attached financial statements for the year ended 31 December 2015 of mBank Hipoteczny S.A. ('Bank') located in Warsaw at Al. Armii Ludowej 26, containing, the income statement, the statement of comprehensive income for the year ended 31 December 2015, the statement of financial position as at 31 December 2015, the statement of changes in equity for the year ended 31 December 2015, the statement of cash flows for the year ended 31 December 2015 and explanatory notes to the financial statement ('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 Poland;

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

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

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

4. 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 2015 to 31 December 2015, as well as its financial position³ as at 31 December 2015;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union 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.
5. We have read the 'Directors' Report for the period from 1 January 2015 to 31 December 2015 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 art. 49 para 2 of the Accounting Act and 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 2014.133 with subsequent amendments) and art. 111a of Banking Law Act dated 29 August 1997 (Journal of Law 2015.128 with subsequent amendments).

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Registration number 130

Key Certified Auditor

(-)

Arkadiusz Krasowski
Certified Auditor
Number 10018

Warsaw, 14 March 2016

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

mBank Hipoteczny S.A.

**LONG-FORM AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

I. GENERAL NOTES

1. Background

mBank Hipoteczny S.A (hereinafter 'the Bank') was incorporated on the basis of a Notarial Deed dated 18 March 1999. The Bank's registered office is located in Warsaw at Al. Armii Ludowej 26. The Bank was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000003753 on 27 March 2001.

The Bank was issued with tax identification number (NIP) 5262316250 on 27 April 1999 and statistical number (REGON) 014953634 on 26 April 1999.

The Bank is part of the mBank S.A. Group. Details of transactions with affiliated are included in Note 43 of the explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2015.

The principal activities of the Bank is providing of banking services to individuals and legal entities, as well as the organizational units without legal personality, both in polish zlotys and foreign currencies.

As at 31 December 2015, the Bank's share capital amounted to 299,000 thousand zlotys. Equity as at that date amounted to 782,336 thousand zlotys.

As at 31 December 2015, the ownership structure of the Bank's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
mBank S.A.	2,990,000	2,990,000	299,000,000	100%
	-----	-----	-----	-----
Total	2,990,000	2,990,000	299,000,000	100%
	=====	=====	=====	=====

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

	Number of shares	Par value of shares
Opening balance	2,850,000	285,000,000
Increase in share capital	140,000	14,000,000
	-----	-----
Closing balance	2,990,000	299,000,000
	=====	=====

As described in the note 36 the additional notes and explanations to the audited financial statements as at September 10, 2015 the agreement of transfer of shares between MLV sp. k. sp. z o.o. and mBank S.A. was signed. All 2,082,143 shares with nominal value of 100 zlotys each belonged to MLV sp. k. were acquired by mBank S.A.

There were not changes in share capital after the balance sheet date till the date of the report.

As at 14 March 2016 the Bank's Management Board was composed of:

Piotr Cyburt	- President
Marcin Romanowski	- Member
Marcin Wojtachnio	- Member
Grzegorz Trawiński	- Member

In the reporting period and from the balance sheet date till the date of the opinion following changes in the Bank's Management Board took place: Mr Grzegorz Trawiński became a Member of the Bank's Management Board on 31 March 2015.

2. Financial Statements

On 22 March 2006 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

2.1 Auditor's opinion and audit of financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. 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. was appointed by Supervisory Board on 22 April 2015 to audit the Bank's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. 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 15 June 2015 with the Bank's Management Board, we have audited the financial statements for the year ended 31 December 2015.

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 auditor's report dated 14 March 2016, stating the following:

'To the Supervisory Board and General Shareholders' Meeting of mBank Hipoteczny S.A.'

1. We have audited the attached financial statements for the year ended 31 December 2015 of mBank Hipoteczny S.A. ('Bank') located in Warsaw at Al. Armii Ludowej 26, containing, the income statement, the statement of comprehensive income for the year ended 31 December 2015, the statement of financial position as at 31 December 2015, the statement of changes in equity for the year ended 31 December 2015, the statement of cash flows for the year ended 31 December 2015 and explanatory notes to the financial statement ('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 Poland;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 a reasonable basis to express our opinion on the attached financial statements treated as a whole.

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

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

4. 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 2015 to 31 December 2015, as well as its financial position³ as at 31 December 2015;
- have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union 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.

We have read the 'Directors' Report for the period from 1 January 2015 to 31 December 2015 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 art. 49 para 2 of the Accounting Act and 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 2014.133 with subsequent amendments) and art. 111a of Banking Law Act dated 29 August 1997 (Journal of Law 2015.128 with subsequent amendments).'

We conducted the audit of the Bank's financial statements during the period from 1 November 2015 to 14 March 2016. We were present at the Bank's head office from 1 November 2015 to 30 November 2015 and from 11 January 2016 to 25 January 2016.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness⁴ 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 14 March 2016, 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;

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 2014 were audited by Arkadiusz Krasowski, key certified auditor no. 10018, acting on behalf of Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k., located at Warsaw, Rondo ONZ 1, the company entered on the list of entities authorized to audit financial statements conducted by the National Council of Statutory

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

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

Auditors with the number 130. The key certified auditor issued an unqualified opinion on the financial statements for the year ended 31 December 2014. The Bank's financial statements for the year ended 31 December 2014 were approved by the General Shareholders' Meeting on 22 April 2015, and the shareholders resolved to appropriate the 2014 net profit as follows (in thousands zlotys):

Reserve capital	18,870.6
Fund for general banking risk	3,500.0

	22,370.6
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The financial statements for the financial year ended 31 December 2014, together with the auditor's 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 5 May 2015 with the National Court.

The closing balances as at 31 December 2014 were correctly brought forward in the accounts as the opening balances at 1 January 2015.

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 2013 - 2015. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2015 and 31 December 2014.

	2015	2014	2013
Total assets	8,419,125	6,176,326	4,782,443
Shareholders' equity	782,336	624,541	501,963
Net profit/ loss	18,791	22,371	2,154
Total capital ratio	13.81%	13.31%	14.92%
Profitability ratio	42.8%	57.6%	11.3%
result before taxation			
overhead costs and amortization			
Cost to income ratio	54.8%	50.4%	52.2%
overhead costs and amortization			
total operating income less other operating expenses ⁵			

⁵ Total operating income less other operating expenses amounted to net interest income, net fee and commission income, net trading income, result from investment in subsidiaries, and other operating income less other operating expense

	2015	2014	2013
Return on equity (ROE)	2.7%	4.0%	0.4%
<div> <div>net result</div> <div>average shareholders' equity⁶</div> </div>			
Return on assets	0.3%	0.4%	0.0%
<div> <div>net result</div> <div>average assets⁷</div> </div>			
Rate of inflation:			
Yearly average	-0.9%	0.0%	0.9%
December to December	-0.5%	-1.0%	0.7%

3.2 Comments

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

- Profitability ratio increased from 11.3% in 2013 to 57.6% in 2014 and decreased to 42.8% in 2015.
- Cost to income ratio decreased from 52.2% in 2013 to 50.4% in 2014 and increased to 54.8% in 2015.
- Return on equity increased from 0.4% in 2013 to 4.0% in 2014 and decreased to 2.7% in 2015.
- Return on assets increased from 0.0% in 2013 to 0.4% in 2014 and decreased to 0.3% in 2015.

As of 31 December 2014 the total capital ratio of the Bank amounted to 13.81% in comparison to 13.31% as of 31 December 2014 and 14.92% as of 31 December 2013.

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 2015 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 2015, 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 2015 and that there are no circumstances that would indicate a threat to its continued activity.

3.4 Application of regulations mitigating banking risk

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.

As at 31 December 2014, 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 2015 to 31 December 2015. We have received written representation from the Management Board that in the period from 1 January 2015 to 31 December 2015 the banking regulatory norms were not breached. .

3.5 Correctness of calculation of total capital ratio

During our audit we found no significant irregularities in determining the total capital ratio as at 31 December 2014 in accordance with the Regulation of the European Parliament and the Council (EU) No. 575/2013 from 26 June 2013 (CRR).

II. DETAILED REPORT

1. Accounting System

The Bank's accounts are kept using the DefBank-Pro, Altamira, Impairment and Kalkulator ESP computer system at the Bank's head office. 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;
- 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 2015.

Verification of assets and liabilities was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2015.

3. Additional Notes and Explanations to the Financial Statements

The additional notes and explanations to the financial statements for the year ended 31 December 2015 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

4. Directors' Report

We have read the Directors' report on the Bank's activities in the period from 1 January 2015 to 31 December 2015 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 art. 49 para 2 of the Accounting Act and 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 2014.133 with subsequent amendments) art. 111a of Banking Law Act dated 29 August 1997 (Journal of Law 2015.128 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. Moreover, during our audit we have taken into account the results of the work of the actuary in valuation of actuarial provision for retirement benefits engaged by the Bank.

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Registration number 130

Key Certified Auditor

(-)

Arkadiusz Krasowski
Certified Auditor
Number 10018

Warsaw, 14 March 2016