



The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

Ernst & Young Audyt Polska spółka z ograniczoną
odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa

+48 (0) 22 557 70 00
+48 (0) 22 557 70 01
www.ey.com/pl

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

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

Audit report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of mBank Group (the 'Group'), for which the holding company is mBank S.A. (the 'Bank') located in Warsaw at ul. Senatorska 18, containing: the consolidated income statement and the consolidated statement of comprehensive income for the period from 1 January 2019 to 31 December 2019, the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2019 to 31 December 2019 and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies (the 'consolidated financial statements').

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Group and the Bank's Statute.

The opinion is consistent with the additional report to the Audit Committee of the Supervisory Board of the Bank (the 'Audit Committee') issued on February 26, 2020.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ('NAS') and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report.

We are independent of the Group in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the

audit, the key certified auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment allowances for loans and advances to customers	
<p>Loans and advances to customers valued at amortized cost as at December 31, 2019 amounted to PLN 103.203.254 thousand and accounted for 65,0% of Group's total assets. The abovementioned amount included the gross book value of loans and advances in the amount of PLN 106.393.532 thousand less impairment allowances in the amount of PLN 3.190.278 thousand.</p> <p>In accordance with IFRS 9 „Financial Instruments“ (‘IFRS 9’) the Management Board of the Bank should determine the loss allowance for a given financial instrument at an amount equal to 12-month expected credit losses or at an amount equal to lifetime expected credit losses depending on classification of individual exposures to stages. Determining the amount and the moment of recognizing provision for expected credit loss requires significant judgment and significant and complex estimates such as:</p> <ul style="list-style-type: none"> - classification of financial assets to appropriate stage in accordance with IFRS 9, - interpretation of requirements and assumptions made in area of structure of models calculating 	<p>As part of the audit procedures, we analyzed process of expected credit loss calculation, as well as related processes: loan granting process, process of monitoring of economic and financial standing of borrowers and identification of impairment triggers, as well as the process of provision calculation for expected credit losses. Based on the above processes we analyzed design and functioning of control mechanisms, as well as performed tests of adequacy and reliability of data used in these processes.</p> <p>In addition we familiarized ourselves with the accounting policies and methodologies concerning estimation of risk parameters and creation of collective impairment allowances for expected credit losses, in context of their compliance with requirements of IFRS 9, and compared them with the market approach. We have carried out an analysis of the indicators of a significant increase in credit risk and classification into risk stages, so-called ‘staging’.</p> <p>We assessed the models, assumptions and completeness of data used by the Group for the purposes of creating impairment allowances for expected credit losses, including assumptions underlying the moment of loss identification,</p>

<p>credit risk parameters and provision for expected credit losses,</p> <ul style="list-style-type: none"> - completeness and adequacy of data applied for calculation of provision for expected credit losses, - assumptions made, including applied in estimation of possible macro-economic scenarios, - valuation of individually assessed loans and advances, including assessment of many scenarios, - correctness and adequacy of disclosures in the consolidated financial statements. <p>Due to the significance of loans and advances to customers valued at amortized cost in relation to total assets, and a significant role of the Management Board's judgment and estimates and complexity of these judgments and estimates regarding the expected credit losses, we consider Impairment allowances for loans and advances to customers the key audit matter.</p> <p><i>Reference to disclosure in the consolidated financial statements</i></p> <p>Information on the methodology of classification and valuation of loans and advances to customers, as well as related judgement and estimates are described in notes 2.7, 2.9 and 3.3 to the consolidated financial statements, whereas information on value of loans and advances to customers and the value of impairment allowances are described in note 23 to the consolidated financial statements.</p>	<p>probability of default and loss as a result of default, as well as the changes in models and verification of historical models (so called back-testing).</p> <p>We analyzed collective historical loss allowances through comparison with factual losses realized on individual homogeneous portfolios in the past. When carrying out the above procedures, we engaged our internal specialists in the field of credit risk modeling.</p> <p>We analyzed individually assessed by the Group exposures on the selected sample. For selected exposures we assessed reasonableness of recovery amounts estimated by the Management Board, including the recoverable amount of collateral, based on available financial and market data. For selected exposures we analyzed the economic and financial situation of borrowers and fulfillment of the terms of loan agreements in order to identify potential impairment triggers.</p> <p>We conducted analytical procedures regarding the structure and dynamics of balance of loans and advances in order to identify and explain significant changes or to explain lack of expected changes.</p> <p>Regarding IT systems, in which both the credit risk parameters and the calculation of the provisions for expected credit losses were calculated in the reporting period, our analysis of control mechanisms effectiveness was carried out in cooperation with specialists in the field of IT systems.</p> <p>In addition, we made an assessment of correctness and adequacy of disclosures regarding impairment allowances for loans and advances to customers included in the consolidated financial statements in terms of its compliance with International Financial Reporting Standards.</p>
<p>Provisions for legal claims and contingent liabilities concerning mortgage loans indexed to Swiss Franc</p>	
<p>The Group granted foreign currency mortgage loans indexed to Swiss Franc ('CHF-loans'). The value of such loans amounted to PLN 13.561.831 thousand as of December 31, 2019.</p>	<p>As part of our audit procedures, we conducted among others the following procedures:</p> <ul style="list-style-type: none"> • We analyzed methodology used to estimate the provision including possible outcomes of

<p>In connection with possibility of recognizing some clauses as abusive of CHF-loan agreements, this portfolio bears legal risk related with class actions and individual claims.</p> <p>As described in note 32 of consolidated financial statements the Bank is the defendant in numerous lawsuits, concerning claims for judgment of partial invalidity of loan agreements, i.e. in respect of valorization clauses, or judgment of invalidity of loan agreements as a whole.</p> <p>The Bank's Management Board's judgement concerning assumptions for estimation of provisions for legal claims as well as for potential legal claims are burdened with numerous uncertainties with regard to future verdicts (both as to content of the verdict and its value) and may vary in time.</p> <p>Due to significance of CHF-loans portfolio, and a significant role of the Bank's Management Board's judgment and estimates and complexity of these judgments and estimates regarding the provisions for legal claims and potential legal claims estimation, we consider recognition and valuation of this provision the key audit matter.</p> <p><i>Reference to disclosure in the consolidated financial statements</i></p> <p>Disclosures concerning the Bank's Management Board's judgment regarding estimates concerning the abovementioned provisions are included in notes 2.24 and 4 to consolidated financial statements.</p> <p>Information concerning significant pending legal claims are disclosed in note 32 to the consolidated financial statements.</p>	<p>legal claims connected with CHF loans granted by the Group;</p> <ul style="list-style-type: none"> • We familiarized ourselves with list of legal claims, in which the Bank is a party and the lawyer's assessment of their outcomes, including obtaining independent confirmations from external law firms; • We assessed consistency with data possessed and discussed among other with the Bank's Management Board, the Bank's key personnel, the Bank's legal department and our legal specialists: <ul style="list-style-type: none"> - assumptions for population of borrowers, who will file a lawsuit against the Bank including time distribution of these lawsuits, - probability of final loss of each of verdicts under consideration, - distribution of expected verdicts, which will be formed by the courts, - loss incurred by the Group in case of loss in court in case of specific verdict; • We assessed adequacy and completeness of provision for legal claims and contingent liabilities, which were created by the Group in the context of existing legal documentation and we analyzed sensitivity of the calculation to changes in key expert assumptions; • We familiarized ourselves with the Group's own studies regarding expert assumptions; • We also analyzed judgements / verdicts after balance sheet date as well as inflow of lawsuits after balance sheet date in context of assumptions made in the methodology. <p>In addition, we made an assessment of disclosures regarding estimate of provisions and contingent liabilities included in consolidated financial statements, in terms of completeness and adequacy in context of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.</p>
--	---

Responsibilities of the Bank's Management and members of the Supervisory Board for the financial statements

The Bank's Management is responsible for the preparation, based on properly maintained accounting records, the consolidated financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies and other applicable laws, as well as the Bank's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the

consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, The Bank's Management is responsible for assessing the Group's (the holding company and significant components') ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Bank's Management either intends to liquidate the Group (the holding company or significant components) or to cease operations, or has no realistic alternative but to do so.

The Bank's Management and the members of the Bank's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act'). The members of the Bank's Supervisory Board are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these consolidated financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Group nor effectiveness of conducting business matters now and in the future by the Bank's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Management,
- conclude on the appropriateness of the Bank's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,
- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the Management Board Report on Performance of mBank S.A. Group in 2019 (including Management Board Report on Performance of mBank S.A.) ('Directors' Report') for the period from 1 January 2019 to 31 December 2019, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 55, section 2b of the Accounting Act as a separate element of the Directors' Report (jointly 'Other Information').

Responsibilities of the Bank's Management and members of the Supervisory Board

The Bank's Management is responsible for the preparation the Other Information in accordance with the law.

The Bank's Management and members of the Bank's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the consolidated financial statements does not include the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the consolidated financial statements.

In addition, we are required to inform whether the Bank has prepared the representation on non-financial information and to issue an opinion on whether the Bank has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 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 (the 'Decree on current and periodic information'), as well as article 111a paragraph 1-2 of the Act of August 29, 1997 Banking Law (the "Banking Law"),
- is consistent with the information contained in the consolidated financial statements.

Moreover, based on our knowledge of the Group and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Group has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information/the regulations referred to in art. 61 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies ('Regulations').

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the consolidated financial statements.

Information on non-financial information

In accordance with the Act on Statutory Auditors, we confirm, that the Bank has prepared a statement on non-financial information mentioned in article 55, section 2b of the Accounting Act as a separate element of the Directors' Report.

We have not performed any attestation procedures in respect to the statement on non-financial information and do not express any assurance in its respect.

Report on other legal and regulatory requirements

Banks are required to comply with the prudential requirements of the Banking Law, the resolution of the Polish National Bank's Management Board, the resolution of Polish Financial Supervision Authority ('PFSA'), recommendations of PFSA and Regulation of the European Parliament and the Council (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (CRR) and issued on the basis of a Commission Regulation (EU), as well as the Act of 5 August 2015 on macro-prudential supervision over the financial system and on crisis management in the financial system ("the Act on macro-prudential supervision") concerning:

- credit risk concentration,
- concentration of capital shares,
- qualification of loans and guarantees granted into risk groups,
- liquidity,
- minimum reserves,
- capital adequacy.

The Bank's Management Board is responsible for compliance with applicable prudential regulations, including in particular the correct determination of capital ratios by the Group. Our responsibility was, based on the conducted audit, to provide information whether the Group complied with the above described prudential regulations. Our responsibility was not to express an opinion on compliance with these regulations.

As part of the audit of the consolidated financial statements we have performed the procedures with regards to capital ratios and we have not identified any discrepancies in their calculation which would have an material impact on the consolidated financial statement as a whole. Therefore, we inform that the Bank's Management Board has correctly calculated the capital requirements in compliance with the rules described above.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which have been provided to the Group, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136

of the Act on Statutory Auditors. The non-audit services, which we have provided to the Group in the audited period, have been disclosed in the Directors' report.

Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements initially based on the resolution of Shareholders Meeting dated April 12, 2018. The consolidated financial statements of the Group have been audited by us uninterruptedly starting from the financial year ended on 31 December 2018, i.e. for the past two consecutive years.

Key Certified Auditor

(-)

Arkadiusz Krasowski
Certified Auditor
No. in the register: 10018

on behalf of:
Ernst & Young Audyt Polska spółka z ograniczoną
odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
No. on the audit firms list: 130

Warsaw, February 26, 2020