

Warsaw, 3 March 2014

## **Report on activities of the Audit Committee of the Supervisory Board of mBank S.A. in 2013**

### **Legal basis**

The Audit Committee of the Supervisory Board of mBank S.A. acts as a standing Committee in line with:

- Article 86 of the Act on statutory auditors and their council, entities authorised to audit financial statements, and public supervision dated 7 May 2009
- "Recommendations concerning the operation of the Audit Committee" issued by the Office of the Polish Financial Supervision Authority in November 2010
- Good Practices of Companies listed on the Warsaw Stock Exchange
- the By-laws of mBank S.A. (Article 22 (3).2)
- the Rules of the Supervisory Board of mBank S.A. (Article 12 (3).2).

### **Composition of the Committee**

The composition of the Audit Committee was as follows:

- Stephan Engels (Chairman)
- Andre Carls (Member)
- Maciej Leśny (Member)
- Teresa Mokrysz (Member)

During these meetings all current and open issues were discussed, and delivery protocols were developed.

### **Meetings / operation / decisions**

In 2013, the Audit Committee held 4 meetings: 7 March, 12 June, 28 October and 12 December.

During the meeting held on 7 March, the Audit Committee analysed and thoroughly discussed the following issues:

- Information on legal and regulatory compliance matters regarding the preparation of financial statements,

- Final conclusion of year-end audit of BRE Bank Group Financial Statements for 2012,
- Approval of Financial Statements of BRE Bank for 2012,
- Approval of Consolidated Financial Statements of BRE Bank Group for 2012,
- Approval of the Disclosure Policy on Capital Adequacy,
- Recommendation of statutory auditor to the Supervisory Board,
- Approval of Report on Audit Committee activities in 2012,
- Internal Audit Report October 2012 - January 2013,
- Approval of Internal Audit Plan 2013,
- Internal Audit report for 2012,
- Assessment of internal control and risk management system in BRE Bank in 2012,
- Approval of the Compliance Policy at BRE Bank SA,
- Approval of the Conflict of Interest Policy at BRE Bank SA.

After a discussion, the Audit Committee made the following decisions:

- Decision 18/13 on approval of the Management Board Report on the Business of BRE Bank SA for 2012 and the Financial Statements of BRE Bank SA for 2012,
- Decision 19/13 on approval of the Management Board Report on the Business of BRE Bank Group for 2012 and the Consolidated Financial Statements of BRE Bank Group for 2012,
- Decision 20/13 on approval of the “Disclosure Policy of BRE Bank SA on capital adequacy”,
- Decision 21/13 on opinion on appointment of the external auditor to audit the Financial Statements of BRE Bank SA and the BRE Bank Group for 2013 and 2014,
- Decision 22/13 on approval of the report on the activities of the Audit Committee of the Supervisory Board of BRE Bank SA in 2012,
- Decision 23/13 on approval of the Internal Audit Plan for 2013,
- Decision 24/13 on approval of the “Compliance Policy at BRE Bank SA”,
- Decision 25/13 on approval of the updated “BRE Bank SA Conflict of Interest Management Policy”.

During the meeting held on 12 June 2013, the Audit Committee analysed the following issues:

- Introduction of the new regulatory auditor of BRE Bank,
- Approval of Annual report on Compliance Risk Management in BRE Bank SA in 2012,

- Approval of the report of the coordinator for outsourcing on the performance of tasks from the outsourcing area at BRE Bank SA in 2012,
- Approval of Annual report on exercising supervision over processes of handling claims and complaints at BRE Bank SA for 2012,
- Internal Audit Report February 2013 - May 2013,
- Discussion on current status of implementation of changes to the Internal Control System at BRE Bank.

After a discussion, the Audit Committee made the following decisions:

- Decision 26/13 on acceptance of the “Annual Report on Compliance Risk Management at BRE Bank SA in 2012”,
- Decision 27/13 on acceptance of the "Annual report of the Coordinator for outsourcing on the performance of tasks from the outsourcing area at BRE Bank SA in 2012",
- Decision 28/13 on acceptance of "Annual report on exercising supervision over the processes of handling claims and complaints at BRE Bank SA for 2012”.

During its 28 October 2013 meeting, the Audit Committee discussed the following issues in detail:

- Discussion of the audit results for H1 2013,
- Presentation of the key issues identified in the review of the Bank and selected subsidiaries,
- Information on possible changes of accounting practices re. bankassurance activities in the Bank. Including the information that the theoretical implementation of the ‘Alior Bank approach’ (decision to stop recognizing any fees related to insurance products up-front) would have had an immaterial effect on the income statement and balance sheet at the Bank for 2013,
- External Audit plan at the end of 2013, the Bank and the Group,
- Current status of the CRR/CRD IV implementation at BRE Bank,
- Internal Audit Report June 2013 - September 2013,
- Information on results of the KNF Inspection 2013,
- Update on current status of implementation of changes to the Internal Control System at BRE Bank.

During its meeting held on 12 December 2013 the Audit Committee addressed in detail the following issues:

- Major points of focus for the year end audit 2013,
- Internal Audit Report October-November 2013,
- Preliminary Internal Audit plan for 2013,
- Information on implementation of KNF inspection recommendations,
- Amendments to the Rules of the Audit Committee of mBank S.A.

The Audit Committee made decisions on, took note of and approved the following issues:

- Decision 29/13 on the approval of amendments to the Rules of the Audit Committee of the Supervisory Board of mBank S.A.,
- Decision 30/12 on the approval for rendering of non-audit services provided by the statutory auditor,
- approved the Internal Audit Report for the period of October 2013 - November 2013,
- approved modifications of the Internal Audit plan in 2013.

During each meeting the Audit Committee exercised regular supervision over internal audit. The Audit Committee was informed on a regular basis on actions taken in terms of the key risk areas, and reports of the Internal Audit Department covering a wide scope of audit issues, including the reports on:

- information about implementation of overdue recommendations issued by the Internal Audit Department,
- main risk areas.

All the aforementioned internal audit reports were discussed in detail during the Committee meetings.

The Audit Committee agrees with the risk assessment for processes and areas at the Bank presented by the Internal Audit Department. The Committee assesses positively all the measures taken in order to minimize the risk level that showed positive effects.

Furthermore, the Audit Committee was informed on a regular basis about the Bank's performance and financial standing before publication of the quarterly reports of BRE Bank Group.

The Audit Committee fulfilled all the duties imposed on it under the law.

Stephan Engels  
Chairman of the Audit Committee