

Warsaw, 7 March 2013

**Report on activity of the
Audit Committee of the Supervisory Board of BRE Bank SA
in 2012**

Legal basis

Audit Committee of the Supervisory Board of BRE Bank SA 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 BRE Bank SA (Article 22 (3).2)
- the Rules of the Supervisory Board of BRE Bank SA (Article 12 (3).2).

Composition of the Committee

Until the General Meeting of Shareholders on 30 March 2012, the composition of the Audit Committee was as follows:

- Dr Eric Strutz (Chairman)
- Andre Carls (Member)
- Maciej Leśny (Member)
- Teresa Mokrysz (Member)

As of 1 April 2012 the composition of the Audit Committee is as follows:

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

Pursuant to the resolutions of the Annual Meeting of Shareholders and in order to facilitate the takeover of responsibilities, meetings were held between the former and the newly appointed Chairman of the Audit Committee. During these meetings all current and open issues were discussed, and delivery protocols were developed.

Meetings / operation / decisions

In 2012, the Audit Committee held 5 meetings: 2 March, 30 March - two meetings, 25 July and 26 October.

During the meeting held on 2 March, the Audit Committee analysed and thoroughly discussed the following issues:

- compliance of the process of preparing financial statements with the law and the applicable regulations,
- conclusions on the audit on annual financial statements of BRE Bank Group for 2011,
- adoption of financial statements of BRE Bank for 2011,
- adoption of consolidated financial statements of BRE Bank for 2011,
- assessment of cooperation with the current auditor PricewaterhouseCoopers (PwC) and a recommendation for the Supervisory Board,
- adoption of an annual report from the operation of the Audit Committee in 2011 and Supervisory Board reports,
- adoption of the audit plan for 2012,
- results of the Polish Financial Supervision Authority in 2011.

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

- Decision 7/12 on recommending to the Supervisory Board the approval of the Report of the Management Board on the business of BRE Bank SA and the financial statement of BRE Bank SA for 2011,
- Decision 8/12 on recommending to the Supervisory Board the approval of the Report of the Management Board on the business of BRE Bank Group and a consolidated financial statement of BRE Bank Group for 2011,
- Decision 9/12 on selecting PricewaterhouseCoopers Sp. z o.o. as the auditor of the financial statements of BRE Bank and BRE Bank Group for 2012,
- Decision 10/12 on adopting an annual report on its operation,
- Decision 11/12 on adopting the audit plan of the Internal Audit Department for 2012 and recommending its approval to the Supervisory Board.

On the first meeting on 30 March 2011, the Audit Committee analysed the following issues:

- Discussion on the post-audit recommendations of PwC,
- Plan of AIRB milestones and plan of the LDG model review for retail exposures,
- Annual report of the Internal Audit Department for 2011,
- Assessment of the internal audit and risk management system at BRE Bank SA in 2011,
- Plan of further development of the Internal Audit Department,
- Review of the Rules of internal control at BRE Bank SA.

The Audit Committee took note of and approved the following issues:

- PwC post-audit recommendations and actions offered by the Bank along with their deadlines,
- Areas of special focus for PwC and directions of audit works in 2012,
- Gradual AIRB roll-out plan,
- Annual report of DAW for 2011,
- Assessment of the internal audit and risk management system at BRE Bank SA in 2011,

- Modifications of the audit process suggested by DAW provided that the new rules will ensure independence of the audit function.

During its second meeting on 30 March 2011 the Audit Committee made the Decision 12/12 on appointing Stephen Engels as the chairman of the Audit Committee as of 1 April 2012 until the end of the current tenure.

During its 25 July 2012 meeting, the Audit Committee discussed the following issues in detail:

- Summary of the 6 month audit of 2012 by PwC,
- PwC's presentation on the analysis of the fair value vs book value for the Polish comparative group,
- Analysing of possibilities of changing the entity authorised to conduct an audit of BRE Bank's financial statement for 2013,
- Approval of the Annual Report on compliance risk management at BRE Bank SA in 2011,
- Approving the Report of the Coordinator for outsourcing on the performance of tasks from the outsourcing area at BRE Bank SA in 2011,
- Report on monitoring transactions - risk map taking into account counter-terrorism financing,
- Internal Audit Report February 2012 - June 2012,
- Miscellaneous issues concerning Internal Audit.

The Audit Committee took note of and approved the following issues:

- took note of both parts of the benchmark presentation of the fair value, including BRE Bank and seven of its "peers" in Polish banking,
- approved the Report on Compliance Risk Management at BRE Bank SA in 2011,
- took a Decision 13/12 to recommend the Supervisory Board to accept the "Annual report of the Coordinator for outsourcing on the execution of tasks from the outsourcing area at BRE Bank SA in 2011",
- approved the report on the status "System of monitoring transactions risk map with the emphasis on Counter-Terrorism Financing (CTF),
- approved the Internal Audit report for the period February 2012 - June 2012,
- approved the presentation on the PFSA requirements with respect to the distribution of the dividend.

During its meeting held on 26 October 2012 the Audit Committee got familiar with and addressed in detail the following issues:

- Review of the planned scope of audit of the financial statement 2012,
- Review of the possible improvements to the methodology of calculating fair value with the use of current margins,
- Update of the assessment of possibilities of changing the entity authorised to control BRE Bank's financial statement for 2013,

- Report on supervising the processes of handling claims and complaints at BRE Bank for 2011,
- Internal Audit report for the period of July 2012 - September 2012,
- Modification of the BRE Bank SA Internal Control Rules,
- Modification of the Internal Audit plan in 2012,
- Presentation of the concept of making back-up copies of systems which involve the retail banking business.

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

- made a Decision 14/12 on non-audit PwC services in the case of engaging the company in the "New mBank" project,
- made a Decision 15/12 on non-audit PwC services in the case of engaging the company in the FACTA project,
- approved the presentation concerning complex methodology applied to calculate fair value,
- made a Decision 16/12 on the adoption of the Annual report on exercising supervision over the processes of handling claims and complaints at BRE Bank SA for 2011,
- approved the Internal Audit Report for the period of July 2012 - September 2012,
- made a Decision 17/12 on changes in the internal control rules at BRE Bank SA,
- approved modifications of the Internal Audit plan in 2012.

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