

## **Opinion of the Supervisory Board of mBank S.A. on the situation of the Bank in 2013 including assessment of the internal control system and the Bank's relevant risk management system**

Base: Rule III.1(1) of the Best Practices of WSE Listed Companies

The year 2013 brought a further slow-down of the growth rate of the Polish economy combined with falling inflation. Economic growth started to rise only in the second half of the year. While the past year was less successful for the banking sector in terms of financial results, the consolidated pre-tax profit of the mBank S.A. Group increased by 3.6% year on year and stood at PLN 1,517.7 million while the consolidated net profit attributable to the shareholders of the Bank was similar to that of 2012 and stood at PLN 1,206.4 million, i.e., increased by 0.8% year on year.

The total income stood at PLN 3,673.5 million in 2013, growing by 2.9% year on year. Its main components, i.e., net interest income and net fee and commission income changed by -2.4% and +6.1%, respectively, year on year. In 2013, the total net interest income and net fee and commission income contributed 83.3% of the mBank Group's total profit; in the opinion of the Supervisory Board, this is a reasonable proportion for the banking business. Considering the macroeconomic conditions for the Bank in 2013, specifically the falling market interest rates, the Supervisory Board acknowledges the generated results.

The Supervisory Board notes with special satisfaction that the mBank S.A. Group's high profitability is very stable. This is also corroborated by a comparison with 2011. The stability has remained uninterrupted in the past three years and was even combined with subsequent profitability records.

In the opinion of the Supervisory Board, in addition to generating high and stable profitability, the Bank and its subsidiaries keep costs under control. In the past three years, the upward or downward variation in costs including amortisation and depreciation oscillated around 1% year on year. Meanwhile, the effectiveness of the mBank Group as measured by the cost/income ratio improved for another consecutive year. The ratio stood at 45.7% in 2013 as compared to 46.5% in 2012 and 47.7% in 2011.

The Supervisory Board has no reservations to the level of net loan loss provisions, which stood at PLN 477.8 million in 2013.

The Supervisory Board notes with satisfaction that 2013 was another consecutive year of growth in the Bank's deposit base. It increased by 6.4% to PLN 61.7 billion in 2013. By comparison, the growth in 2012 was 6.9%. At the 2013 year-end, deposits financed no less than 59.1% of assets (56.8% in 2012).

In the opinion of the Supervisory Board, the activity of the Bank in 2013 ensured full safety of assets. The consolidated capital adequacy ratio under the AIRB approach and the consolidated Core Tier 1 ratio stood at 19.38% and 14.21%, respectively, at the end of 2013. Their levels were significantly higher than at the 2012 year-end (then at 18.73% and 13.00%, respectively), when they already largely exceeded the legally required minimum.

Considering all the factors outlined above, the Supervisory Board gives a positive opinion on the situation of mBank S.A. in 2013.

The Supervisory Board appreciates the engagement and efforts of the Bank's Management Board and employees in the past year, aimed at growing the long-term shareholder value of the Bank. At the same time, the Supervisory Board trusts that these efforts will continue in 2014 and beyond. The Supervisory Board thanks the Shareholders for their confidence in the activity of mBank.

**Assessment of the internal control system and the Bank's relevant risk management system**

The internal control system in mBank S.A. is comprised of institutional controls exercised by the Internal Audit Department, as well as functional controls.

The Supervisory Board has an Audit Committee which monitors internal audit matters on an on-going basis. The Internal Audit Department is functionally subordinated and reports to the Audit Committee. The Audit Committee of the Supervisory Board was regularly appraised of a broad range of audit-related issues in 2013 including, among others, assessments of the internal control and risk management systems, implementation of major audits in the Bank and subsidiaries of the Group. The Audit Committee reviewed and approved the 2013 Audit Plan. Furthermore, the Chairman of the Supervisory Board received copies of reports of all audits conducted in the Bank and subsidiaries of the Group by the Internal Audit Department. The Audit Committee of the Supervisory Board was also supported by the external auditor who regularly reported the findings and conclusions of its audits of the financial statements in 2013.

The Supervisory Board gives a positive opinion on the internal control system in mBank S.A. including both its functional and institutional part.

On matters of risks, the Supervisory Board acts through its Risk Committee, which exercises on-going supervision of all risks, in particular credit risk (including concentration risk), market risk, operational risk, liquidity risk, and business risk. The Risk Committee issues recommendations on significant exposures carrying the risk of a single business entity. Furthermore, the Risk Committee reviewed many major risk issues in 2013 including macroeconomic factors, the real estate market strategy, and the Treasury securities portfolio.

Furthermore, the Bank has a range of committees whose functions relate directly to risk management in the mBank Group. These include among others: the Credit Committee of the Management Board of the Bank, the Data Quality Management Committee, the Capital Management Committee, the Assets and Liabilities Management Committee.

The Supervisory Board gives a positive opinion on the risk management system in mBank SA. In the opinion of the Supervisory Board, the system covers all risks which are relevant to the Bank and the Group.

Maciej Leśny  
Chairman of the Supervisory Board