

Warsaw, 27 February 2019

Report on activities of the Audit Committee of the Supervisory Board of mBank S.A. in 2018

Legal basis

The Audit Committee of the Supervisory Board of mBank 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 5 May 2017
- "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 SA (Article 22 (3).2)
- the Rules of the Supervisory Board of mBank SA (Article 12 (3).2).

Composition of the Committee

The composition of the Audit Committee was is follows:

- Tomasz Bieske (Chairman)
- Andre Carls (Member)
- Joerg Hessenmueller (Member)
- Agnieszka Słomka-Gołębiowska (Member)
- Janusz Fiszer (Member).

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

Meetings / operation / decisions

In 2018 the Audit Committee held six meetings: 9 February, 28 February, 12 April, 7 June, 25 October and 5 December.

During the meeting on 9 February 2018, the Audit Committee discussed in detail the "Report of the Evaluation Committee regarding the procedure for the selection of an audit firm to audit financial statements of mBank S.A. and mBank Group for 2018 and 2019".

After evaluating the offers submitted by the audit firms, in accordance with the criteria set out in the tender documentation, the Evaluation Committee indicated Mazars Audyt Sp. z o.o. and Ernst & Young Audyt Polska to the decision of the Supervisory Board and indicates that the offer submitted by Ernst & Young Audyt Polska obtained the highest grade.

During the meeting held on 28 February 2018, the Audit Committee analysed and among others discussed the following issues:

- Confirmation of fulfilment of legal and regulatory requirements of mBank S.A. financial statements
- Final conclusion of year-end audit of mBank S.A. and mBank Group financial statements for 2017 including key findings of the external auditor
- Internal audit report December 2017 - January 2018
- Internal audit report for 2017
- Assessment of internal control and risk management system in mBank S.A. in 2017
- Report on Exercising Supervision over Processes of Handling Complaints and Claims at mBank S.A. for 2017
- Approval of report on Audit Committee activities in 2017
- Approval of the nomination to the post of Compliance Department director

After discussion, the Audit Committee adopted the following decisions:

- Decision 18/18 on approval of the Management Board report on the business of mBank Group for 2017 including Management Board report on the business of mBank S.A. for 2017
- Decision 19/18 on approval audited financial statements of mBank S.A. for 2017
- Decision 20/18 on approval audited consolidated financial statements of mBank Group for 2017
- Decision 21/18 regarding recommendation to the Supervisory Board to recommend to the General Meeting to choose an audit firm to audit mBank SA's financial statements for 2018 and 2019 and consolidated financial statements of the mBank Group for 2018 and 2019
- Decision 22/18 on approval of the internal audit report for 2017
- Decision 23/18 on approval of Report on Exercising Supervision over Processes of Handling Complaints and Claims at mBank S.A. for 2017
- Decision 24/18 on approval of Report on Management on the Compliance Policy in mBank in 2017
- Decision 25/18 on approval of the Compliance Department plan for 2018
- Decision 26/18 on approval of the report on the activities of the Audit Committee of the Supervisory Board of mBank SA in 2017
- Decision 27/18 on approval of the changes to the Audit Committee rules
- Decision 28/18 on approval of the new director of the Compliance Department

During the meeting held on 12 April 2018, Members of the Audit Committee had the opportunity to talk to the candidate and listen to presentation about planned activities in the future. After closing the discussion, the Audit Committee took Decision 29/18 regarding the confirmation of the change in the position of the Director of Internal Audit Department at mBank S.A.

During the meeting held on 7 June 2018, the Audit Committee analysed and discussed among others the following issues:

- External auditor audit plan for 2018
- Q1 review of the bank's financial results
- Internal audit report February 2018 - May 2018
- Approval of the annual report on the Compliance Risk management at mBank S.A. in 2017
- Whistleblowing report February 2018 - May 2018
- Annual reports of the Supervision Inspector exercising supervision over trading in financial instruments in the bank for 2017.

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

- Decision 30/18 on acceptance of the annual report on Compliance Risk Management at mBank S.A. in 2017, including report of the coordinator for outsourcing on the performance of tasks from the outsourcing area
- Decision 31/18 on acceptance of the annual report on Compliance Activities in mBank Brokerage House in 2017

Between the meetings in June and October, the Audit Committee took three decisions (32, 33, 34) on the approval of non-audit services by Ernst & Young Audyt Polska.

During its 25 October 2018 meeting, the Audit Committee discussed among others the following issues in detail:

- Q3 review of the bank's financial results
- Internal audit report June 2018 - September 2018
- Internal control rules
- Whistleblowing Report in the period: June 2018 - September 2018
- Report on Supervision over process of handling Claims and complaints Q2
- Quarter report on compliance risk management

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

- Decision 35/18 regarding the approval of internal control rules in mBank S.A.
- Decision 36/18 regarding the approval of Internal Audit Chart in mBank S.A.
- Decision 37/18 regarding changes in the Internal Audit Plan for 2018

During its meeting held on 5 December 2018 the Audit Committee addressed in detail among others the following issues:

- Q3 review of the Bank's financial results
- Presentation on cooperation between Compliance Departments of Commerzbank and mBank. While discussing this topic, Mr. Armin Barthel Chief Compliance Officer Commerzbank presented the state of cooperation between the compliance departments of Commerzbank and mBank and confirmed the need to implement uniform standards and policies for the entire Commerzbank Group at mBank. At the same time, Mr. Barthel assured members of the Audit Committee that the cooperation between the compliance departments of Commerzbank and mBank remains at a good level.
- Whistleblowing Report in the period: October 2018 - November 2018
- Report on Supervision over process of handling Claims and complaints Q3
- Quarter report on compliance risk management
- Internal audit report October 2018 - November 2018
- Internal audit plan for 2019
- Information on KNF inspection
- Policy of cooperation of the Internal Audit Department with internal audit units in mBank Group entities
- Policy of cooperation of the Internal Audit Department with statutory auditor

The Audit Committee adopted decisions on:

- Decision 38/18 regarding the acceptance of Internal Audit Plan for 2019
- Decision 39/18 regarding the acceptance of the Policy of cooperation of the Internal Audit Department with internal audit units in mBank Group entities
- Decision 40/18 regarding the acceptance of the Policy of cooperation of the Internal Audit Department with statutory auditor
- Decision 41/18 on acceptance of the non-audit related services by the statutory auditor

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
- information on the KNF post-inspection recommendations implementation.

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. The Audit Committee recommended to the Supervisory Board all necessary Reports of the Internal Audit Department and changes to its regulations which require acceptance by the Supervisory Body.

During the meetings of the Audit Committee, the Compliance Department informed the Committee about all necessary issues concerning Compliance area and answered all questions of the Members of the Committee.

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 mBank Group.

The Chairman of the Audit Committee remains in constant contact with the directors of the Internal Audit, Compliance and Financial Reporting departments, as well as, where necessary, with all managers of organizational units in the bank.

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

Tomasz Bieske
Chairman of the Audit Committee