

REPORT
OF THE SUPERVISORY BOARD OF mBANK S.A.
on its activities in 2018 and on results of evaluation
of the 2018 Management Board Report and Financial Statements
prepared for the Ordinary General Meeting of Shareholders
held on 28 March 2019

In the past reporting period the Supervisory Board was composed of the following members:

Chairman	Maciej Leśny
Deputy Chairman	Stephan Engels
Members	Tomasz Bieske
	Dr. Andre Carls
	Dr. Marcus Chromik
	Dr. Janusz Fiszer
	Mirostaw Godlewski
	Jörg Hessenmüller
	Thorsten Kanzler (until 23 September 2018)
	Gurjinder Johal (from 24 September 2018)
	Michael Mandel
	Teresa Mokrysz
	Prof. Agnieszka Słomka-Gotębiowska

The Supervisory Board of mBank is composed of 12 members, which ensures the adequate supervision over the scale and nature of Bank's activities. Pursuant to binding regulations, half of the Supervisory Board Members, including the Chairman have Polish citizenship, speak Polish and have experience on the Polish market. The composition of the Supervisory Board - extensive and wide knowledge, different professional experience and skills of its members - reflect the Bank's care to ensure proper supervisory functions in all areas of Bank's activities. Moreover, the Members of the Supervisory Board and mainly the Members of the Audit Committee have the required competences and knowledge in accounting or finance.

In accordance with the Rules of the Supervisory Board, the Best Practices for WSE Listed Companies and Corporate Governance Rules for supervised institutions, the following persons meet the independence criteria for Members of the Supervisory Board: Tomasz Bieske, Dr. Janusz Fiszer, Mirostaw Godlewski and Prof. Agnieszka Słomka-Gotębiowska.

In 2018 Thorsten Kanzler resigned from his functions in the Supervisory Board. On behalf of the Supervisory Board I thank him very much for his contribution to the works of the Supervisory Board. The Supervisory Board appointed Gurjinder Johal to replace him. The Supervisory Board recommends to the Ordinary General Meeting the approval of this appointment.

Members of the Supervisory Board, Management Board and key function holders in mBank are appointed pursuant to the currently binding Policy for the assessment of qualifications of members of the supervisory body, management body and key function holders in mBank

(Suitability Policy) - ensuring that the candidates have proper knowledge, dispositions, work experience and reputation, suitable to the fulfilment of the supervision functions. The Suitability Policy is a separate item on the agenda of the XXXII Ordinary General Meeting. The Supervisory Board recommends its approval. In accordance to this document a detailed assessment process was carried out for Management Board Members and key function holders in mBank. The Ordinary General Meeting will also assess the Supervisory Board Members.

In the past reporting period, the Supervisory Board held 7 meetings and adopted 73 resolutions. These resolutions covered all areas of Bank's activities and were in line with the supervision functions outlined in binding legal regulations, Banking Act, PFSA recommendations, corporate governance principles, as well as described in the Bank's By-Laws and Rules of the Supervisory Board.

In the past year, the Supervisory Board at its meetings regularly discussed and acknowledged the periodic reports of the Management Board on the financial standing of mBank Group, as well as the current results of particular business lines of the Bank. In accordance to regulation requirements the Supervisory Board regularly discussed the risk management reports as well as the reports from other areas of Bank's activities, among others: IT and IT security, bancassurance, supervision over the process of handling claims and complaints, realization of tasks in the outsourcing area, reports on compliance activities in the mBank brokerage bureau and on the brokerage activities on derivative instruments OTC (over the counter) market. The correspondence from KNF addressed to the Supervisory Board was also acknowledged and discussed.

During the Supervisory Board meeting in June 2018, the Supervisory Board got acquainted, discussed and accepted the report on the status of realization of the mBank strategy for the years 2016-2020 - overview of key initiatives and assessment of financial goals. The Supervisory Board congratulates the Management Board on the realization of strategic goals of successful development of mBank.

In accordance to Best Practices for WSE Listed Companies, the Supervisory Board makes a positive assessment of Bank's sponsorship activities, including engagement in social initiatives aimed at enhancing education in the society. In the past year mBank supported, among others, selected programmes of organizations whose goals are to help improve the level of education and promote the knowledge of mathematics, ensure equal educational opportunities and promoting highly talented youth. The Supervisory Board confirms that the allocated funds were used appropriately. The Supervisory Board confidence in Bank's activities in this respect was expressed by the approval of resolution regarding granting funds for the mBank Foundation for the following year.

Following the Corporate Governance Principles for supervised institutions, Best Practices for WSE Listed Companies, within the meaning of Article 22 of the mBank By-Laws and in accordance with the requirement of the Act on statutory auditors and their council, entities authorised to audit financial statements, and public supervision, as well as following the recommendations from KNF - four standing committees are convened within the Supervisory Board, namely: the Executive and Nomination Committee, the Audit Committee, the Risk Committee and the Remuneration Committee.

The Supervisory Board Committees perform their tasks in accordance to the rules and guidelines approved by the Supervisory Board. Delegating Supervisory Board Members to carry out specific supervision activities in the Bank within the scope of responsibilities of the above mentioned committees, results in the increase of efficiency and effectiveness of the work of the whole Supervisory Board. Many of the Supervisory Board resolutions are adopted in accordance to the recommendations from the standing Committees, which in advance analyse and discuss specific issues from all areas of bank activities, requiring the approval of the Supervisory Board.

In 2018 the Supervisory Board Committees performed their duties as follows:

I. Executive and Nomination Committee was composed as follows:

Chairman	Maciej Leśny
Members	Dr. Andre Carls Stephan Engels Teresa Mokrysz

The Executive and Nomination Committee performs the supervisory function over the Bank's activities in the period between the Supervisory Board meetings, approves transactions exceeding 1% of the Bank's own funds and performs the initial recruitment process of candidates for Members of the Management Board and Supervisory Board. As per the requirements of the Suitability Policy and on the basis of the gathered documentation, the Committee made a thorough assessment of the Members of the Management Board and confirmed that they have proper knowledge, dispositions, work experience and reputation, suitable to the fulfilment of their functions. The composition of the Management Board is adequate to the scale and nature of the activities of mBank.

II. Audit Committee was composed as follows:

Chairman	Tomasz Bieske
Members	Dr. Andre Carls Jörg Hessenmüller Dr. Janusz Fiszer Prof. Agnieszka Słomka-Gołębiowska

The Audit Committee performs regular supervision over the internal audit of the Bank, as well as evaluates the risk level and processes of various Bank activities presented by the Internal Audit Department and the Compliance Department. The committee oversees and monitors the financial reporting process and the effectiveness of the internal control system, including functioning of the internal audit and compliance. The committee gives its opinion on the appointment of the audit firm, as well as on the cooperation with the external auditor with regards to the non-audit services provided. During its meetings, the Audit Committee was regularly informed about the financial results of the Bank, which were discussed in details with the representatives of the external auditor. In 2018 the Audit Committee adopted 24 decisions.

III. Risk Committee was composed as follows:

Chairman	Dr. Marcus Chromik
Members	Mirostaw Godlewski Thorsten Kanzler (until 23 September 2018) Gujinder Johal (from 24 September 2018) Prof. Agnieszka Słomka-Gołębiewska

In 2018, the Risk Committee on a regular basis discussed the quarterly risk reports (capital adequacy, liquidity risk, credit risk, operational risk, market risk and interest rate risk), as well as various credit portfolio topics.

In 2018 the Risk Committee discussed in details and adopted 23 decisions regarding following topics:

- review of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) at mBank Group,
- approval of changes resulting from the review of number of strategies in the risk management area, including: Risk Management Strategy of the mBank Group, Corporate and Retail Credit Risk Management Strategies, Market Risk, Liquidity Risk, Operational Risk, Concentration Risk and Reputation Risk,
- acceptance of the Capital Management Policy at mBank Group and Book of Stress Tests, Rules of Stress Testing in mBank Group
- acceptance of the Limit Book Rules for limitation of risk in mBank Group and setting RWA limit for mBank Group, as well as limits on the use of capital resources, liquidity limits and concentration limits.

In the past reporting period, the Risk Committee also accepted 13 recommendations for the approval of large exposures posing single-entity risk according to parameters defined by the Supervisory Board.

IV. Remuneration Committee was composed as follows:

Chairman	Dr. Andre Carls
Members	Tomasz Bieske Stephan Engels Maciej Leśny

The Remuneration Committee reviews the following issues: content of the managerial contracts, the rules of the remuneration for Management Board Members, directors and employees of mBank, setting and reviewing the realization of MbO goals and setting the amounts of bonus for Members of the Management Board as provided in the principles adopted by the Supervisory Board. The Remuneration Committee issues recommendations regarding general guidelines for the Management Board on the rules, level and structure of remuneration for the senior management of the Bank, including risk takers of the Bank. In 2018 the Remuneration Committee adopted 20 decisions.

Under Article 22 (5) of the By-Laws of mBank, all standing committees convened within the Supervisory Board prepare reports on their activities in the past reporting period, available to

shareholders. These reports are appended hereto and are presented in the set of documents to the Ordinary General Meeting of Shareholders.

Apart from the standing committees, there is a Supervisory Board IT Working Group, which supports the Supervisory Board in supervision over the mBank's activities in the IT technology and security of IT environment in mBank. During its meeting the IT Working Group analyze and discuss the Management Board reports on IT and IT security, which are also presented at the Supervisory board meetings. In modern digitalized environments IT and Cybersecurity are key factors in the further development of the mBank innovative business model.

In the past reporting period, the Supervisory Board performed its statutory duties in accordance with the requirements of the Polish Commercial Companies Code, Banking Law, recommendations of Financial Supervision Authority, Best Practices of WSE Listed Companies and other formal regulations related to the permanent supervision over the activities of the company.

As per Article 382 of the Polish Commercial Companies Code, the Supervisory Board analysed the Report of the Bank's Management Board, assessed the Financial Statements for 2018, read and evaluated the report prepared by the statutory auditor. As the result of this analysis the Supervisory Board confirms that the Financial Statements of the mBank S.A. and mBank Group, presented by the Management Board and prepared for the Ordinary General Meeting of Shareholders are solid and meet the formal and legal requirements. The Supervisory Board adopted resolutions regarding the approval of the Report of the Bank's Management Board on the activities of mBank Group (including mBank S.A.) and Financial Statements of mBank S.A. for 2018 as well as of the Consolidated Financial Statements of mBank Group for 2018. In separate resolutions the Supervisory Board approved the proposal of the Management Board regarding profit distribution for 2018.

The Supervisory Board recommends that the Ordinary General Meeting of Shareholders approves the aforesaid Management Board Report and Financial Statements for 2018 and adopts the draft resolution on profit distribution.

The Supervisory Board is pleased to acknowledge very good financial results achieved by mBank Group in 2018 and congratulates the Management Board and the employees of the Group for achieving the set goals. On behalf of the Supervisory Board I thank the Management Board for the fruitful and effective cooperation in the past reporting period. I assure you of the Supervisory Board's support in achieving new targets, having positive effect for further development of mBank.

I wish to thank all the Supervisory Board Members for their engagement and work in the realization of the tasks that faced Supervisory Board.

Maciej Leśny
Chairman of the Supervisory Board