

REPORT
OF THE SUPERVISORY BOARD OF mBANK S.A.
on its activities in 2017 and on results of evaluation
of the 2017 Management Board Report and Financial Statements
prepared for the Ordinary General Meeting of Shareholders
held on 12 April 2018

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

Chairman	Maciej Leśny
Deputy Chairman	Stephan Engels
Members	Tomasz Bieske (from 30 March 2017)
	Dr. Andre Carls
	Dr. Marcus Chromik
	Dr. Janusz Fiszer (from 30 March 2017)
	Mirostlaw Godlewski (from 30 March 2017)
	Jörg Hessenmüller
	Thorsten Kanzler
	Michael Mandel
	Teresa Mokrysz
	Dr. Agnieszka Słomka-Gołębiowska
	Waldemar Stawski (until 30 March 2017)
	Wiesław Thor (until 30 March 2017)
	Prof. Marek Wierzbowski (until 30 March 2017)

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 March 2017 a new term of office of the Supervisory Board has started. The process of election of its candidates was carried out in accordance with the Policy for the assessment of qualifications of members of the supervisory body, management body and key function holders in mBank (Suitability Policy) adopted in 2016 - ensuring that the candidates have proper knowledge, dispositions, work experience and reputation, suitable to the fulfilment of the supervision functions.

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, Mirostlaw Godlewski and Dr. Agnieszka Słomka-Gołębiowska.

In 2017 there were changes in the Management Board of mBank S.A. The following persons resigned from their functions in the Management Board: Hans-Dieter Kemler, Jarosław Mastalerz, Christoph Heins and Przemysław Gdański. On behalf of the Supervisory Board I thank them very much for their contribution to the works of the Management Board. Pursuant to the Suitability Policy, the Executive and Nominations Committee carried out the assessment process of the candidates and the Supervisory Board appointed in the past year the following persons to the Management Board: Frank Bock, Andreas Boeger, Krzysztof Dąbrowski and Adam Pers.

In the past reporting period, the Supervisory Board held 6 meetings and only in 5 individual cases, the Supervisory Board Members did not participate in the meetings. 81 resolutions were adopted. 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.

The resolutions concerned among others:

- Acceptance of materials for Ordinary General Meeting, including financial reports of mBank S.A. and mBank Group.
- Approval of Financial Plan for 2018 and Multiyear Plan for the years 2018-2021.
- Approval of the assessment of the application of Principles of Corporate Governance for Supervised Institutions in 2016.
- Acceptance of allocation of funds to mBank Foundation.
- Approval of changes on the Management Board.
- Approval of the Essential Organizational Structure and division of competences among Members of the Management Board and mBank Managing Directors.
- Approval of the Recovery Plan for mBank Group.
- Approval of the Business Continuity Policy at mBank S.A.
- Approval of Bancassurance Policy at mBank S.A.
- Appointment of the IT Working Group of the Supervisory Board of mBank S.A.
- Approval of unified text of the By-Laws of mBank S.A., Rules of the Supervisory Board as well as rules of the Audit Committee of the Supervisory Board of mBank S.A.
- Acceptance of the Vice-President's participation in the governing bodies of the companies outside of the mBank Group.

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 2017, the Supervisory Board got acquainted, discussed and accepted the report on the status of realization of the mBank 'mobile Bank' strategy for the years 2016-2020. The strategy sets the following areas of development for the mBank Group; empathy and client centricity, mobility and effectiveness. During the Supervisory Board meeting in October 2017 the "mBank Strategy of empathy - where are we now, where are we going ?" was presented. The Supervisory Board congratulates the Management Board on the successful realization of mBank development goals set 2 years ago.

Following the growing regulatory responsibility of the Supervisory Board in the area of IT technology and security of IT environment in banks, the Supervisory Board adopted the resolution regarding the appointment of the Supervisory Board IT Working Group. The following Supervisory Board members take part in the works of the IT Working Group: Tomasz Bieske, Dr. Janusz Fiszer, Mirosław Godlewski, Jörg Hessenmüller, Maciej Leśny and Dr. Agnieszka Słomka-Gołębiowska. The IT Working Group performs regular supervision over of the bank's activities in the IT and IT security area, analysis and discusses the Management Board reports in this respect, which are also presented during 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 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.

In 2017 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.

In the past reporting period the Executive and Nomination Committee discussed in details and recommended to the Ordinary General Meeting the appointment of the Supervisory Board candidates for the new term of office, as well as recommended to the Supervisory Board the approval of changes in the Management Board.

II. Audit Committee was composed as follows:

Chairman	Stephan Engels (until 30 March 2017) Tomasz Bieske (from 30 March 2017)
Members	Dr Andre Carls Maciej Leśny (until 30 March 2017) Waldemar Stawski (until 30 March 2017) Jörg Hessenmüller (from 30 March 2017) Dr Janusz Fiszer (from 30 March 2017) Dr Agnieszka Słomka-Gołębiowska (from 30 March 2017)

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. Pursuant to the changed external regulations, the Audit Committee carried out the auditor firm selection process in accordance to new rules. The committee approved the audit firm selection Policy and Procedure, as well as the appointment of the Evaluation Commission and accepted the documents of the external audit firm selection process. In the past reporting period the Audit Committee adopted 25 decisions.

During its meetings, the Audit Committee discussed in details and recommended to the Supervisory Board the formal adoption, among others of the following documents:

- Internal Audit Department's Report for 2016 and Internal Audit Plan for 2017
- Annual Report on Compliance Risk Management at mBank S.A. and Report on the compliance activities in the Brokerage Bureau

- Annual Reports regarding the performance of tasks in the outsourcing area and exercising supervision over the processes of handling claims and complaints.
- Conflict of interests management policy at mBank S.A.
- Policy on audit firm selection and non-audit services provided by the audit firm carrying out the audit in mBank S.A.
- Audit firm selection procedure in mBank S.A.
- Disclosure policy of mBank S.A. on capital adequacy

III. Risk Committee was composed as follows:

Chairman	Dr. Marcus Chromik
Members	Mirośław Godlewski (from 30 March 2017) Thorsten Kanzler Maciej Leśny (until 30 March 2017) Dr. Agnieszka Słomka-Gołębiowska

In 2017, 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 the past reporting period, the Risk Committee:

- (1) accepted 13 recommendations for the approval of large exposures posing single-entity risk according to parameters defined by the Supervisory Board,
- (2) adopted 23 decisions regarding the acceptance of various strategies and policies in the risk area, which require the approval of the Supervisory Board.

In 2017 the Risk Committee discussed in details and the following the recommendation of the Risk Committee the Supervisory Board adopted, among others the following resolutions:

- Acceptance of the documents and the reports on review of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) at mBank Group.
- Approval of number of strategies in the risk management area, including: Risk Management Strategy of the mBank Group, Market Risk, Liquidity Risk and Concentration Risk Management Strategies, Corporate and Retail Credit Risk Management Strategies, Operational Risk and Reputation Risk Management Strategies.
- Approval of Model Management and Capital Management Policies at mBank Group.
- Approval of Contingency Plan in case of a threat of losing financial liquidity by mBank S.A.
- Approval of Limit Book Rules for limitation of risk in mBank Group.
- Approval of limit on the exposure to the State Treasury and the Central Bank for 2017 - 2018
- Approval of values of the market risk and liquidity risk limits for the mBank Group for second half of 2017.

- Approval of the limits on the use of capital resources and liquidity limits in 2018 and prolongation of validity of RWA limit for mBank Group and limit on economic capital for credit risk for mBank Group till the end of first quarter 2018.
- Approval of the structure and values of the liquidity risk limits on LAB gap for the mBank Group with procedures for establishing, monitoring, controlling and escalation.

IV. Remuneration Committee was composed as follows:

Chairman	Dr. Andre Carls
Members	Tomasz Bieske (from 30 March 2017) Stephan Engels Maciej Leśny Prof. Marek Wierzbowski (until 30 March 2017)

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 2017 the Remuneration Committee adopted 15 decisions.

During its meetings the Remuneration Committee discussed in details and recommended to the Supervisory Board the adoption, among other of resolutions on the following issues:

- Setting periods when the Management Board Members and Employees may, within the Motivation and Incentive Programmes, purchase shares of mBank S.A.
- Acceptance of MbO results and objectives as well as Individual MbO Cards for Members of the Management Board for 2016.
- Setting MbO goals and objectives as well as Individual MbO Cards for Members of the Management Board for 2017.
- Approval of the Risk Takers Identification Policy of mBank S.A.
- Approval of Remuneration Policy for the Employees of mBank S.A.
- Setting MbO goals and objectives as well as Individual MbO Cards for Members of the Management Board for 2018.

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.

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 2017, read and evaluated the report prepared by the statutory auditor - PriceWaterhouseCoopers Sp. z o.o. 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 2017 as well as of the Consolidated Financial Statements of mBank Group for 2017. In separate resolutions the Supervisory Board approved the proposal of the Management Board regarding profit distribution for 2017 and undivided profit from previous years, and accepted the Management Board proposal regarding the appointment of the external auditor to review the financial statements of mBank and mBank Group in 2018 - 2019.

The Supervisory Board recommends that the Ordinary General Meeting of Shareholders approves the aforesaid Management Board Report and Financial Statements for 2017 and adopts the draft resolutions on profit distribution and appointment of the external auditor.

The Supervisory Board is pleased to acknowledge very good financial results achieved by mBank Group in 2017 and congratulates the Management Board and the employees of the Group for achieving the set goals.

The Management Board term of office ends as of the Ordinary General Meeting on 12 April 2018. On behalf of the Supervisory Board I thank the Management Board for the fruitful and effective cooperation in the past 5 years. I wish the newly appointed Management Board sound decisions in the realization of the goals ahead of our Bank this year. 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 the effective and fruitful cooperation. Thank you for your engagement and work in the realization of the tasks that faced Supervisory Board.

Maciej Leśny
Chairman of the Supervisory Board