

Warsaw, 28 February 2018

Report on activities of the Audit Committee of the Supervisory Board of mBank S.A. in 2017

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

Until the General Meeting of Shareholders on 30 March 2017, the composition of the Audit Committee was as follows:

- Stephan Engels (Chairman)
- Andre Carls (Member)
- Maciej Leśny (Member)
- Waldemar Stawski (Member)

As of 30 March 2017 the composition of the Audit Committee is as follows:

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

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

Meetings / operation / decisions

In 2017 the Audit Committee held 5 meetings: 1 March, 30 March, 8 June, 24 October and 6 December.

During the meeting held on 1 March 2017, 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. Group financial statements for 2016 including key findings of the external auditor
- Internal audit report December 2016 - January 2017
- Internal audit report for 2016
- Assessment of internal control and risk management system in mBank S.A. in 2016
- Approval of internal audit plan for 2017
- Report on Exercising Supervision over Processes of Handling Complaints and Claims at mBank S.A. for 2016
- Approval of report on Audit Committee activities in 2016.

After discussion, the Audit Committee adopted the following decisions:

- Decision 46/17 on approval of the Management Board report on the business of mBank S.A. for 2016 and the financial statements of mBank S.A. for 2016
- Decision 47/17 on approval of the Management Board report on the business of mBank Group for 2016 and the consolidated financial statements of mBank Group for 2016
- Decision 48/17 on appointment of the external auditor for mBank and mBank Group for 2017
- Decision 49/17 on approval of the internal audit report for 2016
- Decision 50/17 on approval of the internal audit plan for 2017
- Decision 51/17 on approval of Report on Exercising Supervision over Processes of Handling Complaints and Claims at mBank S.A. for 2016
- Decision 52/17 on approval of the report on the activities of the Audit Committee of the Supervisory Board of mBank SA in 2016

During the meeting held on 30 March 2017, the Audit Committee analysed and discussed the following issue:

- Decision 1/17 on appointment of the Chairman of the Audit Committee

During the meeting held on 8 June 2017, the Audit Committee analysed and discussed among others the following issues:

- External auditor audit plan for 2017
- Q1 review of the bank's financial results
- New requirements on statutory auditor selection process
- Internal audit report February 2017 - May 2017
- Approval of the annual report of the coordinator for outsourcing on the performance of tasks from the outsourcing area at mBank S.A. in 2016

- Whistleblowing report February 2017 - May 2017
- Report on Supervision over process of handling Claims and complaints Q1

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

- Decision 2/17 on acceptance of the annual report on Compliance Risk Management at mBank S.A. in 2016
- Decision 3/17 on acceptance of the annual report of the coordinator for outsourcing on the performance of tasks from the outsourcing area at mBank S.A. in 2016
- Decision 4/17 on acceptance of the annual report on Compliance Activities in mBank Brokerage House in 2016
- Decision 5/17 on acceptance of the non-audit related service by the statutory auditor

During its 24 October 2017 meeting, the Audit Committee discussed among others the following issues in detail:

- Q3 review of the bank's financial results
- Current status of the IFRS 9 project in mBank
- Internal audit report June 2017 - September 2017
- Whistleblowing Report in the period: June - September 2017
- Report on Supervision over process of handling Claims and complaints Q2
- Self-Assessment of Internal Control System

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

- Decision 6/17 regarding the approval of Audit Firm Selection and Services Policy
- Decision 7/17 regarding the approval of Audit Firm Selection Procedure
- Decision 8/17 regarding changes in the Internal Audit Plan for 2017
- Decision 9/17 regarding changes to the Audit Committee Rules
- Decision 10/17 regarding the approval of the appointment of the Evaluation Commission re. Audit firm selection procedure

During its meeting held on 6 December 2017 the Audit Committee addressed in detail among others the following issues:

- Q3 review of the Bank's financial results
- Status of Audit Firm selection process
- Internal audit report October 2017 - November 2017
- Preliminary internal audit plan for 2018

- Information on KNF inspection
- Whistleblowing Report in the period: October 2017 - November 2017
- Report on Supervision over process of handling Claims and complaints Q3

The Audit Committee adopted decisions on:

- Decision 11/17 regarding the acceptance of documents regarding the audit firm selection procedure
- Decision 12/17 regarding the acceptance of changes to Disclosure policy on capital adequacy
- Decision 13/17 regarding the acceptance of changes to the Internal Audit plan 2017
- Decision 14/17 regarding the acceptance of changes to the Conflict of Interest Policy
- Decisions 15/17 and 16/17 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.

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.

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

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

Tomasz Bieske
Chairman of the Audit Committee