

REPORT
OF THE SUPERVISORY BOARD OF mBANK S.A.
on its activities in 2016 and on results of evaluation
of the 2016 Management Board Reports and Financial Statements
prepared for the Ordinary General Meeting of Shareholders
held on 30 March 2017

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

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| Chairman | Maciej Leśny |
| Deputy Chairman | Martin Zielke (until 15 December 2016) Stephan Engels (from 16 December 2016) |
| Members | Martin Blessing (until 30 April 2016) Dr. Andre Carls Stephan Engels (until 15 December 2016) Jörg Hessenmüller (from 16 December 2016) Thorsten Kanzler Michael Mandel (from 1 May 2016) Teresa Mokrysz Dr. Marcus Chromik Dr. Agnieszka Słomka-Gotębiowska Waldemar Stawski Wiesław Thor Prof. Marek Wierzbowski |

In 2016 Martin Blessing and Martin Zielke resigned from their functions on the Supervisory Board. On behalf of the Supervisory Board I wish to thank them very much for many years of fruitful cooperation. The Supervisory Board co-opted in their place Michael Mandel and Jörg Hessenmüller.

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 Supervisory Board meetings are convened in Polish and supported by a translator.

In accordance with the Rules of the Supervisory Board, the Best Practices for WSE Listed Companies and Corporate Governance Rules for supervised institutions, in the past reporting period the following persons met the independence criteria for Members of the Supervisory Board: Maciej Leśny, Teresa Mokrysz, Waldemar Stawski, prof. Marek Wierzbowski and dr Agnieszka Słomka-Gotębiowska.

With its best knowledge, binding legal regulations and best market practice, the Supervisory Board ensures the fulfilment of rules regarding the assessment of suitability of the members in the supervision body. In 2016 the Supervisory Board adopted a resolution regarding approval of the Policy for the assessment of qualifications (suitability) of members of the supervisory body, management body and key function holders in mBank. 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. There are two women in the Supervisory Board: Teresa Mokrysz and Agnieszka Słomka-Golebiowska. Among the Supervisory Board Members there are persons with experience in key functions in banking, industry and central state administration, as well as representatives of academic background, private business and corporate governance specialists. Moreover, the Members of the Supervisory Board and mainly the Members of the Audit Committee have the required competences and knowledge in accounting and finance.

In the past reporting period, the Supervisory Board held 6 meetings and only in 3 individual cases, the Supervisory Board Members did not participate in the meetings. 65 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 2017 and Multiyear Plan for the years 2017-2020.
- Approval of the assessment of the application of Principles of Corporate Governance for Supervised Institutions in 2015.
- Approval of the strategy **mobile Bank** - mBank Group Strategy for the years 2016 -2020.
- Approval of IT Strategy of mBank S.A. and Cybersecurity Strategy for the years 2016 - 2020.
- Approval of Recovery Plan for mBank Group.
- Acceptance of the documents and the report on review of the Internal Capital Adequacy Assessment Process (ICAAP) at mBank Group.
- Approval of Capital Management Policy at mBank Group.
- Acceptance of allocation of funds to mBank Foundation.
- Approval of the Essential Organizational Structure and division of competences among Members of the Management Board and mBank Managing Directors.
- Approval of the Identification Policy as well as Remuneration Rules and Policy for employees with a significant impact on the Bank's risk profile (Risk Takers).
- Acceptance of the Regulations of the Incentive Programme for Members of the Management Board.
- Acceptance of the Employee Incentive Programme Regulations as well as the Information Memorandum drafted for the purpose of the realization of this Programme.
- Setting periods when the Management Board Members and Employees may, within the Motivation and Incentive Programmes, purchase shares of mBank S.A.

- Approval of Appendix to Managerial Contracts for the Management Board Members of mBank S.A.
- Appointment of Vice-President of the Management Board and Members of the Management Board of mBank S.A. as well as approval of changes in the composition of the Executive Committee and Remuneration Committee of the Supervisory Board.
- Authorising Members of the Supervisory Board for individual execution of specific supervisory activities.
- Setting individual maximum lending limits to Member of the Supervisory Board.
- Acceptance of principles of investing in financial instruments by persons linked to mBank S.A. or for their account and principles of maintaining the register of transactions on own account.
- Acceptance of MbO results and objectives as well as Individual MbO Cards for Members of the Management Board.
- Approval of unified text of the By-Laws of mBank S.A. and Rules of the Supervisory Board, Risk Committee of the Supervisory Board, Remuneration Committee of the Supervisory Board, as well as Management Board of mBank S.A.
- Acceptance of Internal Audit Department's Audit Plan for 2016 and Internal Control Rules at mBank S.A.
- Approval of Compliance Policy and Annual Report on Compliance Risk Management.
- Acceptance of the Annual Reports regarding the performance of tasks in the outsourcing area and exercising supervision over the processes of handling claims and complaints.
- Approval of strategies and policies which require the acceptance of the Risk Committee and the Supervisory Board, including: strategy of managing market risk and liquidity risk, as well as strategy of managing corporate and retail credit risk.
- Approval of Contingency Plan in case of a threat of losing financial liquidity by mBank S.A.
- Approval of Model Management Policy of mBank Group.
- Approval of Reputational Risk Management Strategy of mBank Group.
- Approval of Limit Book Rules for limitation of risk and setting limits for mBank Group.
- Acceptance of the decrease of limit on credit RWA of mBank Group in 2016.
- Acceptance of limits on the use of capital for mBank Group in 2017 and prolongation of market risk limits level I - III.
- Approval of Book of Stress Tests, Rules of Stress Testing in mBank Group.
- Approval of Policy for the assessment of qualifications (suitability) of members of the supervisory body, management body and key function holders in mBank S.A.
- Approval of Rules of settling travel expenses of Members of the Supervisory and Management Board of mBank.

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 reports as well as the reports from other areas of Bank's activities, among others IT Security and Bancassurance. The correspondence from KNF addressed to the Supervisory Board was also acknowledged, the results of the KNF inspection in the Bank were also discussed.

During the Supervisory Board meeting in June 2016, the Supervisory Board got acquainted, discussed and accepted the main outlook of Bank's activities for the forthcoming years. A resolution was adopted regarding approval of „mobile Bank - mBank Group Strategy for the years 2016 - 2020“. The Strategy describes the challenges and chances to be tackled on the basis of the current knowledge on perspective and constraints for their development. We wish the Management Board the realization of these strategic goals.

During the same meeting in June 2016, The Supervisory Board approved the IT Strategy of mBank S.A. and Cybersecurity Strategy. Both strategies have been drafted as required by the KNF Recommendation D on management of IT technology and security of IT environment areas in banks. In modern digitalized environments IT and Cybersecurity are key factors in the further development of mBank. mBank heavily relies on smooth implementation of new technologies and ensures cybersecurity. In such circumstances IT has to fit into the agile and innovative business model. The IT Strategy and Cybersecurity Strategy were carefully planned within the long-term strategy of the Bank in the forthcoming years.

In accordance to Best Practices for WSE Listed Companies 2016, 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 goal is 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 Practice 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 Committee, the Audit Committee, the Risk Committee and the Remuneration Committee.

The Supervisory Board Committees perform their tasks in accordance 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 2016 the Supervisory Board Committees were composed of the following members:

I. Executive Committee: Chairman Maciej Leśny
 Members Martin Blessing (until 30 April 2016)
 Martin Zielke (from 1 May 2016
 until 15 December 2016)
 Stephan Engels (from 16 December 2016)
 Dr Andre Carls
 Teresa Mokrysz

The Executive Committee performs the supervisory function in the period between the Supervisory Board meetings and approves transactions exceeding 1% of the Bank's own funds.

II. Audit Committee: Chairman Stephan Engels
 Members Dr Andre Carls
 Maciej Leśny
 Waldemar Stawski

The Audit Committee performs regular supervision over the internal audit of the Bank, as well as evaluates the process risk 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, as well as gives opinion on the cooperation with the external auditor. 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 the past reporting period the Audit Committee adopted 19 decisions.

III. Risk Committee: Chairman Dr. Marcus Chromik
 Members Thorsten Kanzler
 Maciej Leśny
 Dr. Agnieszka Słomka-Gotębiowska

In 2016, 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. Among others, the main topics discussed were: large exposures, setting risk parameters and level of provisions set for the Bank and the Group.

In the past reporting period, the Risk Committee:

- (1) accepted 16 recommendations for the approval of large exposures posing single-entity risk according to parameters defined by the Supervisory Board,
- (2) adopted 16 decisions regarding the acceptance of various strategies and policies in the risk area, which require the approval of the Supervisory Board.

IV. Remuneration Committee: Chairman Dr. Andre Carls
 Members Maciej Leśny
 Prof. Marek Wierzbowski
 Martin Zielke (until 15 December 2016)
 Stephan Engels (from 16 December 2016)

The Remuneration Committee reviews the following issues: content of the managerial contracts, the rules of the remuneration, 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. The committee also approves the changes in the Rules of the Motivation Programme for Members of the Management Board and Employee Incentive Programme at mBank S.A. In 2016 the Remuneration Committee adopted 19 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.

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 2016, 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 Reports of the Bank's Management Board and Financial Statements of mBank S.A. for 2016 as well as of the Consolidated Financial Statements of mBank Group for 2016. In separate resolutions the Supervisory Board approved the proposal of the Management Board regarding profit distribution for 2016 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 2017.

The Supervisory Board recommends that the Ordinary General Meeting of Shareholders approves the aforesaid Financial Statements 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 2016 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 2016. I wish the 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.

The Supervisory Board term of office ends this year. 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. I wish the newly elected Supervisory Board sound decisions and full realization of goals ahead.

Thank you very much.

Maciej Leśny
Chairman of the Supervisory Board