



*Enclosure  
to Supervisory Board Resolution 135/19 dated 27 February 2019*

**The Supervisory Board assessment of the application of the Corporate Governance Principles for Supervised Institutions of Polish Financial Supervision Authority (KNF) at mBank S.A. in 2018**

The Corporate Governance Principles for Supervised Institutions (Principles), introduced by the KNF on 22 July 2014 were accepted for implementation in mBank S.A. by the Supervisory Board Resolution 31/14 dated 11 December 2014.

The Supervisory Board confirms that in 2018, the Bank duly applied the KNF Corporate Governance Principles adequately to the scale and character of its activities. The Principles determine internal and external relations of the bank, its organization, relations with shareholders and clients, cooperation among the statutory bodies, as well as functioning of internal supervision and the key internal systems and functions.

The Supervisory Board gives its positive opinion on functioning of the Corporate Governance Principles for Supervised Institutions in mBank and confirms in particular, that:

1. The organizational structure of the Bank is adequate to the scale and nature of business of the Bank. The Supervisory Board approves on regular basis the changes in the organizational structure and division of competences among Members of the Management Board and Managing Directors. In 2018 these changes were approved by the Supervisory Board Resolutions 95/18 dated 7 June 2018 and 124/18 dated 6 December 2018.

The Supervisory Board gladly confirms that the mBank Strategy for 2016-2020 is successfully realised by the Management Board.

In accordance to § 6 of the Corporate Governance Principles for Supervised Institutions, the Bank has a system of anonymous information on abuses. The Audit Committee of the Supervisory Board receives regular reports regarding functioning of this system.

Pursuant to § 4.3 and § 7 of the Corporate Governance Principles for Supervised Institutions, the Bank has business continuity plan. In 2018 the Supervisory Board adopted Resolution 97/18 dated 10 July 2018 approving the Recovery Plan for the mBank Group, providing business continuity in case of a serious disruption of business.

2. The relation with shareholders of the Bank is duly and carefully applied, ensuring the interests of all shareholders. The Supervisory Board confirms the departure by the Bank from adopting the provisions of § 8(4) of the principles, which aims at facilitating electronic active participation of shareholders in the General Meeting. The Supervisory Board confirms the application of such a rule generates unnecessary legal and technical risks. For many years mBank has been broadcasting General Meetings in real time, however, without the possibility to engage in two-way on-line communication.
3. The Management Board is composed of 7 persons. The division of competences among the Management Board members, approved by the Supervisory Board, assures the proper control of the realization of Bank's goals in all areas of bank's activities. There is 1 woman in the Management Board. In accordance to the Policy on the assessment of qualifications of members of the supervisory body, management body and key function holders in mBank (Suitability Policy), the Supervisory Board conducted the assessment process of the Management Board Members for 2018. The Supervisory Board assures that all Members of the Management Board - individually and as a collective body, have required knowledge, competences, professional experience and reputation, adequate to perform their managerial functions. In the Management Board 5 of 7 members, including the President, have Polish citizenship and speak Polish. The Supervisory Board confirms the Bank's departure from adopting § 16(1), which states that the meetings of the managing body shall be held in Polish and if necessary an interpreter shall assist. The Supervisory Board confirms that the Bank's practice of holding Management Board meetings in English, without the participation of the interpreter is more efficient and allows to discuss and reach agreements without the participation of third parties (interpreters).
4. The Supervisory Board, composed of 12 persons, duly meets the requirement of proper supervision of all business areas of the Bank. In accordance to the Suitability Policy, the Supervisory Board Members also went through the assessment process for 2018. The Ordinary General Meeting confirmed that the Members of the Supervisory Board have required knowledge, experience and qualifications - their individual competences complement each other and ensure proper collegial supervision of all business areas of the company. The supervisory functions of the whole Supervisory Board are effectively supported by the activities of 4 committees (Executive and Nomination Committee, Audit Committee, Remuneration Committee and Risk Committee) performing their particular duties in various areas of Bank's activities. The Audit Committee members also have necessary competences and knowledge in accounting or finance. There are 2 women among the Supervisory Board members. In the composition of the Supervisory Board, half of its members, including the Chairman, have Polish citizenship and speak Polish. In 2018 the Supervisory Board held 7 meetings and adopted 73 resolutions. The Supervisory Board meetings are held in Polish with participation of the interpreter.

5. In the opinion of the Supervisory Board, the Bank performs transparent remuneration policy for Members of the Management Board and persons in key positions in the Bank (Risk Takers). The remuneration policy of the key function holders and the banks' employees is discussed in details at the meetings of the Remuneration Committee of the Supervisory Board. In the past year, the Supervisory Board approved the updated risk takers remuneration policy of mBank S.A. On 28 February 2018 the Supervisory Board adopted Resolution 67/18 regarding the acceptance of the assumptions of the incentive programme rules approval and recommended to the Ordinary General Meeting its approval. Acting pursuant to the Ordinary General Meeting resolution, the Supervisory Board adopted Resolution 96/18 dated 7 June 2018 regarding the implementation of the incentive programme rules in mBank. During its meeting on 6 December 2018, the Supervisory Board adopted Resolution 120/18 approving the assumptions of the Remuneration Policy for the Employees of mBank S.A.
  
6. The Supervisory Board confirms that the Bank performs proper information policy, promotion activities and in a fully transparent way communicates with the clients.  
The Bank has a systematic process of handling claims and complaints. The Supervisory Board monitors this process and periodic reports in this respect are discussed in details during the Supervisory Board Audit Committee meetings.
  
7. The key internal systems and functions in the Bank, in particular the internal control system and risk management are conducted appropriately, in accordance to the legal requirements and internal regulations. The internal control system is in particular supervised by the Audit Committee of the Supervisory Board. During the Audit Committee meetings the directors of the Internal Audit Department and Compliance Department present their periodic reports. As per the recommendation of the committee, the Supervisory Board adopted on 28 February 2018 the following resolutions: Resolution 61/18 approving the Report of the Internal Audit Department for 2017, Resolution 62/18 approving the Audit Plan of the Internal Audit Department for 2018 and Resolution 65/18 approving the Compliance Department Plan for 2018.  
The Audit Committee reviews and monitors the financial reporting process. The representatives of the external auditor give regular information in this respect during the Audit Committee meetings.  
The Bank has an effective risk management system. The Supervisory Board receives for each meeting a risk report, which is discussed in details at the Supervisory Board Risk Committee meetings. In line with the recommendations of the Risk Committee, in 2018 the Supervisory Board approved the update of the Risk Management Strategy in mBank Group and accepted the changes in the documents on risk management in various areas, including the market risk, liquidity risk, operational risk, reputation risk and concentration risk, as well as corporate and retail credit risk.

8. The Supervisory Board confirms that the mBank effectively manages the assets at customers' risk effectively and ensures the necessary protection of customers' interests. The Bank's policy in this respect fulfills the requirements of the Corporate Governance Principles for Supervised Institutions.

This opinion is drafted as per the requirement of the § 27 of the Corporate Governance Principles for Supervised Institutions and is available on the website pages of mBank.

Maciej Leśny  
Chairman of the Supervisory Board