

## **Opinion of the Supervisory Board of mBank S.A. on the situation of the Bank in 2018, including the assessment of the internal control system and the Bank's relevant risk management system**

Basis: Rule III.1. (1) of the Code of Best Practices for WSE Listed Companies

The year 2018 was marked by an improvement in the core parameters of the Polish economy. Strong economic growth, modest inflation and the Monetary Policy Council keeping historically low interest rates throughout the year, accompanied by the developments in the Polish capital market, had a major impact on the behaviour of mBank's retail and corporate clients.

The net profit of mBank Group amounted to PLN 1,316.5 million in 2018, including the one-off transaction related to the sale of an organised part of enterprise of mFinanse. Taking into account the numerous social and economic challenges faced by the banking industry in 2018, our assessment of the achieved result is positive. The Supervisory Board would like to thank all employees of the Group for their contribution to this accomplishment.

In 2018, mBank successfully continued its key technological projects and organic business growth in Poland, the Czech Republic and Slovakia. mBank's performance in 2018 confirms that the Bank is in sound condition and ready for further expansion. As synonym of youth and modernity in the banking sector, mBank remains an icon of mobility and client-friendliness. At the same time it is the first-choice financial services provider for various client groups for which holding an mBank account has become a matter of prestige.

mBank's retail banking arm acquired 342.7 thousand new clients in 2018, while the amount deposited by individuals increased by 18.4% over 12 months. We continued to develop and improve our retail lending business. The volume of loans and advances to individuals rose by 9.9% YoY, especially in the consumer loans area.

The Bank achieved positive results in the Corporates Financial Markets segment as well. The number of corporate clients grew by 1,658. The volumes of corporate deposits and outstanding loans increased by 2.2% and 16.5%, respectively.

The Supervisory Board welcomes the consistent increase in the Group's profitability. In view of all the developments described above, the Supervisory Board's assessment of mBank's performance in 2018 is positive.

The Supervisory Board appreciates the engagement and efforts of the Bank's Management Board and employees in the past year, aimed at growing the long-term shareholder value of the Bank. At the same time, the Supervisory Board trusts that these efforts will continue in 2019 going forward. The Supervisory Board thanks the Shareholders for their confidence in mBank.

### **Assessment of the internal control system and the Bank's relevant risk management system**

The internal control system of mBank S.A. is comprised of institutional control exercised by the Internal Audit Department, as well as functional control.

The Supervisory Board has an Audit Committee, which monitors internal control matters on an ongoing basis. The Internal Audit Department is functionally subordinate and reports to the Audit Committee. The Audit Committee of the Supervisory Board was regularly apprised of a broad range of audit-related issues in 2018, including, among others, assessments of the internal control and risk management systems as well as major audits taking place in the Bank and subsidiaries of the Group. The Committee also assessed and approved the Audit Plan for 2018. Furthermore, the Chairman of the Supervisory Board received copies of reports on all audits conducted in the Bank and subsidiaries of the Group by the Internal Audit Department. The Audit Committee of the Supervisory Board was also supported by a representative of the external auditor, who regularly reported the findings and conclusions from the audit of financial statements in 2018.

The Supervisory Board gives a positive opinion on the internal control system of mBank S.A. in terms of both its functional and institutional part.

During the meetings of the Audit Committee, the Compliance Department communicated issues related to the compliance area and provided the Supervisory Board with all reports of the Compliance Department as well as amendments to the Compliance Rules which required the supervisory body's approval.

On matters of risk, the Supervisory Board acts through its Risk Committee, which exercises ongoing supervision of all risks, in particular credit risk (including concentration risk), market risk, operational risk, liquidity risk, interest rate risk and business risk. The Risk Committee issues recommendations on significant exposures carrying the risk of a single business entity. The most important topics discussed by the Risk Committee included the effectiveness of individual portfolios of mBank, the development of risk parameters and provisions created in the Bank and in the Group. Moreover, the Risk Committee reviewed the management strategies of mBank Group covering individual risks and strategic risk limits. It also issued a positive recommendation regarding the new Concentration Risk Management Strategy of mBank Group.

Furthermore, the Bank has a range of committees whose functions relate directly to risk management in mBank Group. These include the Credit Committee of mBank Group, the Data Quality and IT Systems Development Committee, the Capital Management Committee, and the Assets and Liabilities Committee.

The Supervisory Board gives a positive opinion on the risk management system of mBank S.A. In the opinion of the Supervisory Board, the system covers all risks which are relevant to the Bank and the Group.

In view of growing expectations towards the Supervisory Board concerning supervision over IT and IT security areas in the Bank, the Supervisory Board passed a resolution to create the Supervisory Board's Working Group on IT. The Working Group on IT exercises ongoing supervision over the Bank's activities in the IT and IT security areas and thoroughly discusses the Management Board's reports in this respect, which are also presented at the Supervisory Board meetings.

Maciej Leśny

Chairman of the Supervisory Board