



**Report of mBank S.A. on Remuneration of the  
Management Board Members and Supervisory Board  
Members for 2019 and 2020**

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## I. DEFINITIONS

**Bank or Company** – mBank S.A. with its registered office in Warsaw, ul. Prosta 18 (00-850 Warszawa), entered in the register of enterprises of the National Court Register kept by the District Court for the Capital City of Warsaw, 13th Commercial Division, under number 0000025237, holder of tax identification number NIP 526-021-50-88 and statistical number REGON 001254524;

**mBank Group** – capital group consisting of mBank as the parent company and all of its subsidiaries in accordance with the IFRS. For detailed information, see note 1 of the Consolidated Financial Statements for 2020;

**Remuneration Policy (“Policy”)** – Remuneration Policy for Management Board Members and Supervisory Board Members of mBank S.A., adopted by Resolution No. 29 of the 33rd Annual General Meeting of the Company dated March 27, 2020;

**RT Remuneration Policy** – Remuneration Policy for Employees Having a Material Impact on the Risk Profile of mBank S.A., adopted by Resolution No. 63/12 of the Supervisory Board dated July 25, 2012 as amended by Resolution No. 49/20 of the Supervisory Board dated December 17, 2020;

**mBank Management Board Benefit Plan** – mBank Management Board Benefit Plan adopted by Resolution No. 86/18 of the Supervisory Board dated April 12, 2018;

**2014 incentive programme for the Management Board Members** – programme adopted by Resolution No. 65/08 of the Supervisory Board dated January 24, 2008 as amended by Resolution No. 51/15 of the Supervisory Board dated March 2, 2015;

**2018 incentive programme for the Management Board Members and key staff of mBank Group** – programme adopted by Resolution No. 96/18 of the Supervisory Board dated June 7, 2018;

**Immediate family** – for the purposes of this Report, immediate family is defined as the spouse or partner and children until they finish school/university;

**Banking Law** – Banking Law Act of August 29, 1997;

**Supervisory Board** – Supervisory Board of the Bank;

**Act on Public Offering** – Act on Public Offering and Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies of July 29, 2005;

**General Meeting** – Annual or Extraordinary General Meeting of the Bank;

**Management Board** – Management Board of the Bank.

## II. INTRODUCTION

The Report presents a review of remuneration and all benefits received by and due to individual Management Board Members and Supervisory Board Members of mBank S.A. It covers two financial years, 2019 and 2020.

During that time, despite the difficult economic situation caused by the Covid-19 pandemic in 2020, the Company recorded consistent economic growth and consolidated its position on the financial market.

The Management Board is currently composed of six members.

Since April 12, 2018, when the Management Board composed of seven members was appointed for a joint term of five years, the Management Board composition has changed as follows:

- 1/ on October 22, 2020, Ms Lidia Jabłonowska-Luba resigned as a Management Board Member, as a result of which Mr Marek Lusztyn was appointed as a Management Board Member as of October 22, 2020;

2/ on June 25, 2020, the Supervisory Board dismissed Mr Frank Bock as a Management Board Member as of December 31, 2020.

### **Remuneration of the Management Board Members**

The principles of remunerating the Management Board Members are governed by:

1. Remuneration Policy;
2. RT Remuneration Policy;
3. mBank Management Board Benefit Plan;
4. Secondment agreement.

The Remuneration Policy was developed on the basis of:

1. Article 90d of the Act on Public Offering;
2. Directive (EU) 2017/828 of the European Parliament and of the Council of May 17, 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

The Remuneration Policy was adopted by the General Meeting of the Bank on March 27, 2020 under Article 90d of the Act on Public Offering. The Policy helps implement the business strategy, pursue the Bank's long-term interests and support its stability. The Policy implementation also increased the transparency of the principles of remunerating persons managing and supervising the Bank, which may be of vital importance for the existing and future shareholders.

The RT Remuneration Policy was developed on the basis of:

1. EBA (European Banking Authority) guidelines on sound remuneration policies referred to in Article 74 (3) and Article 75 (2) of Directive 2013/36/EU, and on disclosure of information in line with Article 450 of Regulation (EU) No 575/2013 – EBA/GL/2015/22 of June 27, 2016;
2. The Banking Law implementing Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;
3. Regulation of the Minister of Development and Finance of March 6, 2017 on the risk management system, the internal control system, the remuneration policy as well as the detailed method for banks' internal capital assessment.

The RT Remuneration Policy supports sound and effective risk management and does not encourage employees to take excessive risk, fosters the implementation of the bank management strategy and risk management strategy, and reduces the risk of conflicts of interest. The RT Remuneration Policy is reviewed on a yearly basis.

The Management Board is responsible for the development, implementation and observance of the RT Remuneration Policy. The Supervisory Board approves the RT Remuneration Policy.

On December 17, 2020, the Supervisory Board, in accordance with a stance of the Remuneration Committee of the Supervisory Board and bearing in mind the recommendation of the Polish Financial Supervision Authority (KNF) on variable remuneration components at banks communicated in the letter dated April 17, 2020 regarding measures expected to be taken by banks in response to the Covid-19 pandemic outbreak, decided to amend the RT Remuneration Policy. In particularly justified cases, when there is a need to mitigate the risk connected with maintaining a sound capital base of the Bank to enable it to effectively respond to the economic situation in Poland arising from, for example, the Covid-19 pandemic, the Supervisory Board may adopt a resolution to pay the cash tranches in whole or in part (both the non-deferred and deferred tranche) in the form of subscription

warrants, starting from the bonus for 2020. Subscription warrants will be awarded in the acquisition periods set by the Supervisory Board, not earlier than 12 months after the date of the General Meeting approving the consolidated financial statements of mBank Group for the previous calendar year.

#### Benefit Plan

The Benefit Plan defines the benefits to which a Management Board Member is eligible under the concluded management contract.

#### Secondment agreement

A secondment agreement governs the terms of secondment and the benefits to which a foreign Management Board Member is eligible in the period when he/she performs tasks in Poland, e.g. a lump sum allowance for flights and a rent allowance. It governs issues connected with the costs of relocation, rent, tuition fees for German schools/preschools attended by children of the seconded employees.

### III. REPORT ON REMUNERATION WITH RESPECT TO EACH MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBER:

1. The amount of total remuneration broken down into the components referred to in Article 90d (3) (1) on the Act on Public Offering and the ratio between these remuneration components

#### **Key information concerning the determination of remuneration applicable in 2019 and 2020**

The total remuneration of the Management Board Members was divided into:

- 1/ fixed part:
  - a/ basic remuneration;
  - b/ other benefits to which a Management Board Member is entitled,
- 2/ variable part – discretionary bonus granted to a Management Board Member for a given calendar year (bonus) and the related equivalent based on the RT Remuneration Policy, and the bonus paid under the 2014 incentive programme for the Management Board Members (which was applicable until 2018).

#### **Fixed part – basic remuneration**

The basic remuneration is determined by the Supervisory Board, taking into account the following information:

- 1/ resolution of the Management Board on the division of powers between Members of the Management Board of the Bank (with a particular focus on changes in powers);
- 2/ long-term results achieved by a Management Board Member as at the assessment date;
- 3/ available internal market data (e.g. internal comparison inside mBank Group);
- 4/ available external market data (e.g. information on remuneration of management board members of other WSE-listed companies, additional market benchmarks).

#### **Variable remuneration**

The Company has two incentive programmes based on which variable remuneration was paid in 2019 and 2020:

##### **a) 2014 incentive programme for the Management Board Members (effective until 2018)**

Under the programme, the Members of the Bank's Management Board were entitled to a bonus, including a non-cash bonus paid in bonds with the pre-emptive right to acquire shares.

In 2019 and 2020 the bank paid out deferred cash tranches and deferred non-cash tranches in the form of bonds under the incentive programme effective until 2018, which in accordance with the deferral rules had to be paid out in 2019 and 2020. The payments concerned the deferred tranches of bonuses for 2015, 2016, and 2017 and were made in accordance with the programme.

The right to a bonus was acquired and the bonus amounts for 2015, 2016, and 2017 were calculated on the basis of net ROE of mBank Group and the monthly remuneration of a Management Board Member to which he/she was entitled as at December 31 of the year for which a bonus was awarded. The bonus consisted of a non-deferred part (40% of the bonus) and a deferred part (60% of the bonus). Both the deferred part and the non-deferred part are divided into two equal portions: 50% paid in cash and 50% paid in bonds with the pre-emptive right to acquire shares. The non-deferred part (40% of the bonus) in cash and in the non-cash form was paid in the year of awarding the bonus. The deferred part (60% of the bonus) is paid in three equal tranches in three subsequent years after the year of determining the bonus amount in the following way: 50% of each deferred tranche is paid in cash and the other 50% of each deferred tranche is paid in the non-cash form in bonds with the pre-emptive right to acquire shares. The last settlements under this programme are scheduled for 2021.

**b) 2018 incentive programme for the Management Board Members and key staff of mBank Group (currently governed by the RT Remuneration Policy)**

Under this programme the Management Board Members will be able to:

- a) receive a cash part (bonus);
- b) acquire warrants free of charge, and, by way of exercising the rights arising from the warrants, to acquire shares (bonus);
- c) receive an additional cash equivalent.

The right to a bonus and the bonus amount are determined for a given calendar year based on a holistic assessment of the activity and efficiency of work of a Management Board Member, including the achievement of objectives set in a given period.

The Supervisory Board determines the amount of the bonus to be granted to each Management Board Member individually at its own discretion and, to this end, carries out, among others, analyses and assessments of Management Board Members based on their Score Cards (the template of which can be found in the RT Remuneration Policy) and their MbO objectives arising from the Financial Plan and the Medium-Term Financial Plan determined with regard to a period of at least three years. Additionally, when carrying out the assessment, the Supervisory Board takes into account the assessment of managerial and qualitative objectives and the economic situation in Poland in the last three calendar years.

The bonus consists of a non-deferred part (40% of the bonus) and a deferred part (60% of the bonus).

Both the deferred part and the non-deferred part are divided into equal portions: 50% paid in cash and 50% paid in subscription warrants. The value of one warrant equals the average market price minus PLN 4. The average market price is the arithmetic mean of the market price of one share of the Bank determined on the basis of the closing prices of the Bank's shares on the Warsaw Stock Exchange (WSE) on each day of the reference period on which WSE trading sessions took place. The reference period is determined in accordance with the RT Remuneration Policy.

The non-deferred part in cash is paid in the year when the bonus was awarded. The other half of the non-deferred part (50%) is paid in the form of subscription warrants not earlier than after 12 months from the date of the

General Meeting during which the consolidated financial statements of mBank Group for the year for which the bonus was awarded were approved.

The deferred parts in cash and in subscription warrants are paid in the subsequent calendar years, starting from the year following the year in which the financial statements for the year for which the bonus was awarded were approved, in five equal annual tranches. In each tranche, the cash portion is paid after the consolidated financial statements of mBank Group for the previous calendar year are approved, while the portion in subscription warrants is paid not earlier than after 12 months from the date of approval of consolidated financial statements.

Due to the deferral of the part of the bonus paid in subscription warrants, a Management Board Member who was awarded a bonus is entitled, regardless of the bonus, to receive a cash equivalent for the non-deferred part and/or each tranche of the deferred part if the General Meeting decides to pay out a dividend for a given year. The Equivalent is paid by the Bank within 60 days from the day on which the Management Board Member effectively submitted a statement on the acquisition of shares in exchange for subscription warrants.

The Equivalent will be calculated according to the following formula:

$$E = WS \times (Z / LA)$$

Where:

- E: means the amount of the Equivalent in PLN;
- WS: means the number of subscription warrants granted to a Management Board Member pursuant to the RT Remuneration Policy forming the non-deferred part or a given tranche of the deferred part, exchanged for the Bank's shares under the Incentive Programme Rules;
- Z: means the amount of the Bank's profit for the Reference Year earmarked by the General Meeting for distribution among the shareholders subject to the increase and decrease referred to in Article 348 (1) of the Code of Commercial Companies and Partnerships;
- LA: means the total number of fully paid shares held by the shareholders entitled to the dividend for a given Reference Year.

Since no resolutions to pay out dividends were passed in 2019 and 2020, the Management Board Members were not entitled to the above equivalent.

The maximum amount of variable remuneration components cannot exceed 100% of the amount of basic remuneration paid for a given calendar year with the proviso that each case of exceeding the threshold of 100% (but not more than 200%) of the annual basic remuneration will have to be approved by the General Meeting. The variable remuneration paid to the Management Board Members did not exceed the assumed proportions in 2019 and 2020.

The Management Board Members were awarded bonuses in accordance with the above rules effective since 2018 in 2019 for 2018 and in 2020 for 2019.

#### **Rules for paying other remuneration components (severance pay) to the Management Board Members**

The Management Board Members are obliged not to engage in any competing activities within six months from the day of termination or expiry of their management contracts. Moreover, the Remuneration Committee of the Supervisory Board may decide to extend the obligation not to engage in any competing activities by a maximum of another six months or decide to exempt a manager from this obligation at the manager's request. During the period in which a manager cannot engage in any competing activities, he/she is entitled to compensation in an

amount proportional to this period, calculated as the product of the manager's monthly remuneration and the number of months of the period in which the manager cannot engage in any competing activities.

If a Management Board Member violates his/her obligation not to engage in competing activities, he/she is obliged to return the compensation paid to him/her within 30 days of receipt of the Bank's request for payment.

No such cases occurred in the financial years 2019 and 2020.

No Management Board Member was paid the compensation in 2019.

In 2020:

- 1/ Due to the termination of the management contract with Ms Lidia Jabłowska-Luba as of October 22, 2020, based on consent from the Remuneration Committee of the Supervisory Board of mBank, the Supervisory Board set a 12-month period during which she is obliged not to engage in any competing activities. The relevant compensation has been paid in twelve equal monthly instalments since November 2020.
- 2/ Due to the termination of the management contract with Mr Frank Bock as of December 31, 2020, the contractual period during which he is obliged not to engage in any competing activities equals six months. The relevant compensation has been paid in six equal monthly instalments since January 2021.

#### **Other benefits – additional benefits to which a Management Board Member is entitled**

The Bank pays the costs of medical insurance of the Management Board Members and their immediate family, the costs of unit-linked life insurance, and the costs of D&O insurance. In addition, if a Management Board Member is a foreigner, the Bank pays the costs of a Polish language course, the costs of a Polish school/kindergarten for his/her children, a rent allowance and a lump sum allowance for flights and trips home. In addition, a Management Board Member is entitled to a company car for business and private use in accordance with the Fleet Policy and policy of the Remuneration Committee of the Supervisory Board, a driver for business purposes, and reimbursement for documented entertainment expenses as per the business trips policy and internal regulations.

Benefits in the form of:

- 1/ payment for the costs of medical insurance, costs of life insurance, or policy costs were valued on the basis of the value of the policy paid to the insurer;
- 2/ rent allowance were valued on the basis of prices of the entity providing this benefit to the Bank;
- 3/ Polish language course allowance and the school/kindergarten allowance were valued on the basis of prices of the entity providing this benefit to the Bank;
- 4/ entitlement to use a company car for private purposes were valued in accordance with the applicable internal regulations of the Bank.

Benefits for the immediate family, if requested by a Management Board Member, are awarded in accordance with the applicable Benefit Plan and the secondment agreement. The personal data of his/her immediate family are provided by a Management Board Member in a statement.



**Information on the amount of remuneration paid and awarded to the Management Board Members and the Supervisory Board Members in 2019 and 2020**

**Table 1: Total remuneration of the Management Board Members for 2020 and 2019**

in PLN

Name of the Management Board Member, position	Seniority in the Management Board	Reporting period	1		2		3	4	5
			Fixed remuneration		Variable remuneration				
			basic	other benefits*	one-year	multi-year			
<b>Cezary Stypukowski</b> President of the Management Board	01.10.2010 now	01.01.2020-31.12.2020	3,449,871	377,605	440	1,415,296	0	5,682,772	48.47%
		01.01.2019-31.12.2019	3,333,230	297,804	400	1,395,296	0	5,426,330	49.44%
<b>Adam Pers</b> Vice-President of the Management Board, Head of Corporate and Investment Banking	26.10.2017 now	01.01.2020-31.12.2020	1,676,000	162,493	240	398	0	2,476,493	34.70%
		01.01.2019-31.12.2019	1,680,000	134,594	200	198,036	0	2,212,630	21.94%
<b>Cezary Kocik</b> Vice-President of the Management Board, Head of Retail Banking	01.04.2012 now	01.01.2020-31.12.2020	1,676,000	264,42	240	812	0	2,992,420	54.22%
		01.01.2019-31.12.2019	1,680,000	214,546	240	800,383	0	2,934,929	54.91%
<b>Krzysztof Dąbrowski</b> Vice-President of the Management Board, Head of Operations and Information Technology	01.04.2017 now	01.01.2020-31.12.2020	1,676,000	190,365	220	463,332	0	2,549,697	36.61%
		01.01.2019-31.12.2019	1,680,000	157,011	200	256,672		2,293,683	24.86%
<b>Andreas Böger</b> Vice-President of the Management Board, Chief Financial Officer	01.07.2017 now	01.01.2020-31.12.2020	1,764,359	227,926	220	347,5		2,559,785	28.48%
		01.01.2019-31.12.2019	1,767,133	370,212	200	87,624		2,424,969	13.46%
<b>Frank Bock</b> Vice-President of the Management Board, Head of Financial Markets	01.05.2017 now	01.01.2020-31.12.2020	1,729,075	337,941	200	290,332		2,557,348	23.72%
		01.01.2019-31.12.2019	1,750,453	520,367	140	108,278		2,519,098	10.93%
<b>Marek Lusztyn</b> Vice-President of the Management Board, Chief Risk Officer	22.10.2020 obecnie	01.01.2020-31.12.2020	320,516	1,192	0	0		321,708	0.00%
<b>Lidia Jabtonowska-Luba</b> Vice-President of the Management Board, Chief Risk Officer	12.04.2013-22.10.2020	01.01.2020-31.12.2020	1,359,355	183,647	200	634	309,951	2,377,002	54.05%
		01.01.2019-31.12.2019	1,680,000	196,843	180	679,938	0	2,736,781	45.82%
<b>Christoph Heins</b> Vice-President of the Management Board, Chief Financial Officer	01.07.2016-30.04.2017	01.01.2020-31.12.2020				200		200	
		01.01.2019-31.12.2019				200,095		200,095	
<b>Jarosław Mastalerz</b> Vice-President of the Management Board, Head of Operations and Information Technology	01.04.2012-31.03.2017	01.01.2020-31.12.2020				300		300	
		01.01.2019-31.12.2019				640,594		640,594	
<b>Przemysław Gdański</b> Vice-President of the Management Board, Head of Corporate and Investment Banking	01.01.2011-25.10.2017	01.01.2020-31.12.2020				416,668		416,668	
		01.01.2019-31.12.2019				696,559		696,559	
<b>Joerg Hessenmueller</b> Vice-President of the Management Board, Chief Financial Officer	01.04.2012-30.06.2016	01.01.2020-31.12.2020				125		125	
		01.01.2019-31.12.2019				425,04		425,04	

One-year variable remuneration: the non-deferred cash part of the bonus awarded and paid in a given year.

Multi-year variable remuneration: the deferred (cash and non-cash) parts of the bonus granted in previous years paid in accordance with the tranche maturity dates in a given year. The value of non-cash tranches was calculated as the product of the number of offered bonds/warrants and their price on the day of awarding the bonus.

\*“Other benefits” include cash and non-cash benefits awarded to the immediate family of the Management Board Members (medical care, medical insurance, fees for children’s school) as per the table below:

<i>in PLN</i>	<b>in 2020</b>	<b>in 2019</b>
<b>Cezary Stypułkowski</b>	29,149	24,201
<b>Adam Pers</b>	3,380	3,316
<b>Cezary Kocik</b>	73,676	60,851
<b>Krzysztof Dąbrowski</b>	3,380	3,316
<b>Frank Bock</b>	70,295	69,206
<b>Marek Lusztyn</b>	356	
<b>Lidia Jabłonowska-Luba</b>	52,046	43,148

In 2019 and 2020 the Management Board Members:

- did not receive remuneration from members of mBank Group;
- did not receive payments under old age and disability pension programmes.

#### **Remuneration of Supervisory Board Members in 2019 and 2020**

Members of the Supervisory Board perform their functions on the basis of appointment and are entitled to remuneration only on this account. The amounts of remuneration of Supervisory Board Members are determined by resolution of the General Meeting.

Moreover, the Bank pays the cost of a healthcare package for the Supervisory Board Member who wishes to be covered by the healthcare scheme provided by the Bank. The Chairperson of the Supervisory Board is authorised to receive a company car for business and private use.

The remuneration of a Supervisory Board Member is not linked to the Bank’s performance.

The remuneration of a Supervisory Board Member is not awarded in financial instruments.

**Table 2: Remuneration of Supervisory Board Members in 2019 and 2020**

Name and surname	Remuneration paid in 2020 (in PLN)		Remuneration paid in 2019 (in PLN)	
	Remuneration	Other benefits*	Remuneration	Other benefits
Agnieszka Słomka-Gołębiowska	335,797	5,696	252,644	5,641
Joerg Hessenmueller				
Tomasz Bieske	424,800	4,428	424,800	4,385
Marcus Chromik				
Mirosław Godlewski	246,645		216,540	
Aleksandra Gren	163,620			
Bettina Orlopp				
Sabine Schmittroth				

Michael Mandel <sup>1</sup>				
Maciej Leśny <sup>2</sup>	89,250	2,294	357,000	9,133
Gurjinder Singh Johal <sup>3</sup>	54,000		216,000	
Teresa Mokrysz <sup>4</sup>	54,000	1,094	216,000	4,385
Andre Carls <sup>5</sup>			216,000	
Janusz Fiszer <sup>6</sup>			144,000	
<b>Total</b>	<b>1,368,112</b>	<b>13,513</b>	<b>2,042,983</b>	<b>23,545</b>

<sup>1</sup> Mr Michael Mandel was a Supervisory Board Member from May 1, 2016; he handed in his resignation on October 23, 2020.

<sup>2</sup> Mr Maciej Leśny was a Supervisory Board Member from 2004; he retired on March 27, 2020.

<sup>3</sup> Mr Gurjinder Singh Johal was a Supervisory Board Member from September 24, 2018; he was not appointed for a new term or office on March 27, 2020.

<sup>4</sup> Ms Teresa Mokrysz was a Supervisory Board Member from 2004; she was not appointed for a new term or office on March 27, 2020.

<sup>5</sup> Mr Andre Carls was a Supervisory Board Member from March 31, 2011; he handed in his resignation on September 30, 2019.

<sup>6</sup> Mr Janusz Fiszer was a Supervisory Board Member from March 30, 2017; on September 2, 2019 the Management Board of mBank S.A. was informed that Janusz Fiszer, PhD, had died on September 2, 2019.

\*other benefits: healthcare package, company car for private use.

The Supervisory Board Members who sit on the Board of Managing Directors of Commerzbank AG, the parent entity of mBank, do not receive remuneration for performing the function of Members of the Supervisory Board of mBank.

## 2. Clarification of how total remuneration complies with the adopted remuneration policy and how it contributes to the achievement of the company's long-term goals

The Company pays remuneration to the Management Board Members and Supervisory Board Members solely based on the Remuneration Policy.

The remuneration paid to the Management Board Members encourages full commitment to their respective functions, motivates them to achieve the Company's business goals, while its amount is adequate to the position.

The Management Board Members receive fixed remuneration as well as variable remuneration; the latter is determined by KPIs directly connected with the Company's economic standing, the Score Card, the achievement of MbO objectives, and qualitative assessment. In addition, the variable part of remuneration ensures that the Management Board remains focused, among others, on dynamic growth of the Bank's business and the range of products and services offered to clients, the Bank's market position, financial performance, as well as its financial and capital position.

By limiting the amount of variable remuneration to 100% of basic remuneration, the policy ensures that the Management Board looks beyond short-term financial results.

This remuneration structure motivates Management Board Members, contributes to the implementation of business strategy and fosters stable long-term growth in shareholder value. In addition, it encourages responsible behaviour towards clients, employees, as well as social and environmental responsibility in the long-term perspective.

The pursuit of business strategy and long-term interests as well as stable operation of the Company are helped, in particular, by a flexible solution which consists in authorising the Supervisory Board to adopt clear, comprehensive and diversified financial and non-financial performance criteria for awarding variable remuneration, and at the same time, requires a balance between quantitative and qualitative criteria, and by the introduction of principles for verifying compliance with individual criteria determining the payment of variable remuneration. Moreover, the possibility to launch incentive programmes enables the Supervisory Board to link key Management Board Members with the Company, which positively affects the composition of this body and the Company's financial performance.

The division of cash remuneration for Management Board Members into fixed part and variable part, with the latter being largely determined by economic effects of the Company, encourages Management Board Members, to a far greater extent than other employees (whose remuneration is mostly fixed), to take well-thought-out actions resulting in continuous improvement in economic effects, and at the same time, ensuring stable operation in longer terms. The form, structure and level of remuneration are in line with the current market standards and aim to retain employees of key importance to the Company who meet the criteria ensuring proper management or supervision of the Company, in a manner taking into account the interests of the Company's shareholders.

In turn, fixed remuneration paid to Supervisory Board Members, by not being linked to the Bank's performance, ensures independent control of the Bank's economic situation. At the same time, proper control guarantees stable and safe development of the Bank, which translates into achievement of the Bank's long-term goals.

The remuneration policy adopted by the Bank supports sound and effective risk management and does not encourage employees to take excessive risk exceeding the general risk level accepted by the Supervisory Board of the Bank, fosters the implementation of the bank management strategy and risk management strategy, and reduces the risk of conflicts of interest.

**3. Information about the application of performance criteria**

**Financial and non-financial performance criteria for awarding variable remuneration**

The Supervisory Board determines the amount of the bonus awarded based on the RT Remuneration Policy for a given calendar year for each Management Board Member individually and at its own discretion, taking into account, however, the assessment of the achievement of MbO objectives, the Score Card (a template of which is set out in the RT Remuneration Policy), and the qualitative assessment covering a period of at least 3 years, with the proviso that the bonus amount depends on the bonus pool.

The pool from which bonuses for every Management Board Member are awarded by the Supervisory Board for a given calendar year depends on the level of Economic Profit (EP). The bonus pool is a total of the basis amounts calculated for each Management Board Member. A basis amount is calculated as a number of basis remuneration. EP is calculated for a period of three years and is given by the following formula:

$$\text{multiplier} = \begin{cases} 0 & EP < 0 \\ 2\% * EP + 2 & EP \geq 0 \\ 12 & EP > 500 \end{cases}$$

where EP is Economic Profit calculated for a period of three years as the sum of:

$$EP = (1/2) EP (N) + (1/3) EP (N-1) + (1/6) EP (N-2)$$

The EP level serving as the basis for calculating the bonus pool is approved by the Supervisory Board each year as per the calculations made by the Bank's controlling unit. Before approving the EP level, the Supervisory Board consults with the President of the Management Board. The consultations cover parameters and indicators determined by the competent public administration authorities and regulatory bodies as well as one-off events, which, when combined, may change the EP level, with the proviso that the parameters and indicators that can be affected by Management Board Members to a limited extent only should have a limited impact on the EP calculations. The parameters and indicators which can be affected by Management Board Members to a limited extent include, among others, extraordinary costs and revenue (e.g. one-off transactions).

The bonus pool for 2018 and 2019 awarded in 2019 and 2020, respectively, was set in accordance with the principles presented above.

The Supervisory Board determines the bonus amount for a given calendar year for each Management Board Member individually, based on the assessment of the achievement of objectives covering a period of at least 3 years, taking into account the business cycle of the Bank and risk inherent in the Bank's business activity. The objectives in a given period are defined based on the strategy of mBank Group, which sets the directions of business activity, long-term interests, and aspects relating to stability of the Company and the Group.

The objectives for a given year are defined by a Management Board Member and the Remuneration Committee of the Supervisory Board in accordance with the principles of defining business and development objectives adopted, among others, by the Remuneration Committee of the Supervisory Board for the Bank's Management Board. In principle:

- 1/ quantitative team objectives (at the level of mBank Group) account for 25%-55% of objectives in 2020 (25%-65% in 2019) (cost to income ratio of the Group, pre-tax profit of the Group, dividend capacity, CET1);
- 2/ quantitative individual objectives account for up to 50% of objectives (they are determined based on the scope of responsibility of individual Management Board Members, pre-tax profit and net income of their business lines);
- 3/ qualitative individual objectives account for up to 45% of objectives in 2020 (and up to 40% in 2019).

The decision on the bonus amount and on the assessment of the achievement of objectives by a Management Board Member is made at the Supervisory Board's sole discretion. The bonus amounts awarded to individual Management Board Members may vary.

The determination and payment of every tranche of the deferred part is subject to assessment. The decision to pay deferred tranches is made every year.

The Supervisory Board, based on a recommendation of the Remuneration Committee of the Supervisory Board, may decide to withhold in whole or reduce the amount of a deferred tranche if it concludes that in a time horizon longer than one calendar year (i.e. a period of at least three years), or a Management Board Member had a direct and negative impact on the financial result or market position of the Bank or mBank Group in the period under assessment, or directly caused significant financial losses, or when at least one of the Score Card components (its template can be found in the RT Remuneration Policy) has not been achieved or any of the premises stipulated in Article 142 of the Banking Law Act, in particular Article 142 (2), has occurred:

- 1/ a balance sheet loss has been sustained or there is a threat of such a loss, there is a threat of insolvency or loss of liquidity, liquidity and solvency are deteriorating;

- 2/ financial leverage level is increasing;
- 3/ the number of non-performing loans or advances is increasing;
- 4/ the concentration of exposures is increasing.

The Supervisory Board may decide to suspend in whole or decrease the amount of the bonus for a given calendar year, also in the case of a bonus or a deferred tranche which has not been paid out yet, in a situation when a balance sheet loss has been sustained or there is a threat of its occurrence, or when the Bank is threatened by insolvency (Article 142 of the Banking Law Act). Suspending the bonus or any deferred tranche in whole or decreasing its amount may also apply to the bonus or the deferred tranche paid out to an employee upon termination or expiry of his/her employment contract.

In 2019 and 2020, the Remuneration Committee of the Supervisory Board declared that there were no grounds for suspending in whole or decreasing the amount paid out in deferred tranches (paid out in cash and settled in financial instruments) due to the Management Board Members, and the conditions stipulated in the Score Card (its template can be found in the RT Remuneration Policy) had been met.

#### 4. Cumulative information on yearly changes in remuneration, results of the Company, and average remuneration of employees of the Company who are not Management Board members or Supervisory Board Members, in the period of at least the last five financial years, provided in a manner that allows comparison

**Table 3:** Comparison of changes in remuneration and results of the Company in the last five reported financial years

Year-on-year change	Seniority in the Management Board	2015	2016	2017	2018	2019	2020
<b>Remuneration of the Management Board Members</b>							
<b>Cezary Stypułkowski, President of the Management Board</b>	<b>01.10.2010-now</b>	5,742,335	5,975,079	5,617,840	6,301,658	5,426,330	5,682,772
<i>year-on-year change</i>			4.05%	-5.98%	12.17%	-13.89%	4.73%
<b>Adam Pers, Vice-President of the Management Board, Head of Corporate and Investment Banking</b>	<b>26.10.2017-now</b>	0	0	291,993	2,235,895	2,212,630	2,476,493
<i>year-on-year change</i>					665.74%	-1.04%	11.93%
<b>Cezary Kocik, Vice-President of the Management Board, Head of Retail Banking</b>	<b>01.04.2012-now</b>	2,886,801	3,416,097	3,268,765	3,529,150	2,934,929	2,992,420
<i>year-on-year change</i>			18.34%	-4.31%	7.97%	-16.84%	1.96%
<b>Krzysztof Dąbrowski, Vice-President of the Management Board, Head of Operations and Information Technology</b>	<b>01.04.2017-now</b>	0	0	1,212,939	2,583,746	2,293,683	2,549,697
<i>year-on-year change</i>					113.02%	-11.23%	11.16%
<b>Andreas Böger, Vice-President of the Management Board, Chief Financial Officer</b>	<b>01.07.2017-now</b>	0	0	865,971	2,037,639	2,424,969	2,559,785
<i>year-on-year change</i>					135.30%	19.01%	5.56%
<b>Frank Bock, Vice-President of the Management Board, Head of Financial Markets</b>	<b>01.05.2017-31.12.2020</b>	0	0	1,290,749	2,163,773	2,519,098	2,557,348
<i>year-on-year change</i>					67.64%	16.42%	1.52%
<b>Marek Lusztyn, Vice-President of the Management Board, Chief Risk Officer</b>	<b>22.10.2020-now</b>	0	0	0	0	0	321,708
<i>year-on-year change</i>							

Lidia Jablonowska-Luba, Vice-President of the Management Board, Chief Risk Officer	12.04.2013-22.10.2020	2,570,572	2,850,769	3,073,750	3,002,087	2,736,781	2,377,002
<i>year-on-year change</i>			10.90%	7.82%	-2.33%	-8.84%	-13.15%
Christoph Heins, Vice-President of the Management Board, Chief Financial Officer	01.07.2016-30.04.2017	0	1,210,216	1,295,861	137,500	200,095	200,000
<i>year-on-year change</i>				7.08%	-89.39%	45.52%	-0.05%
Jarosław Mastalerz, Vice-President of the Management Board, Head of Operations and IT	01.04.2012-31.03.2017	3,961,956	3,523,480	2,347,797	525,000	640,594	300,000
<i>year-on-year change</i>			-11.07%	-33.37%	-77.64%	22.02%	-53.17%
Przemysław Gdański, Vice-President of the Management Board, Head of Corporate and Investment Banking	01.01.2011-25.10.2017	3,784,930	3,374,359	4,610,798	611,668	696,559	416,668
<i>year-on-year change</i>			-10.85%	36.64%	-86.73%	13.88%	-40.18%
Joerg Hessenmueller, Vice-President of the Management Board, Chief Financial Officer	01.04.2012-30.06.2016	2,859,931	2,525,289	1,290,084	402,500	425,040	125,000
<i>year-on-year change</i>			-11.70%	-48.91%	-68.80%	5.60%	-70.59%

Average remuneration per full FTE	2015	2016	2017	2018	2019	2020
Employees of the Company	123,405	122,004	123,984	125,309	129,337	132,230
<i>year-on-year change</i>		-1.13%	1.62%	1.07%	3.21%	2.24%

The average remuneration of the Bank's employees is a sum of remuneration (fixed remuneration, bonuses and other awards, commissions, non-cash benefits and all other payments) paid to the employees in a given calendar year (within 12 months) divided by the average number of FTEs in a given year.

### Comparison of changes in the results of the Company in the last five reported financial years

*data in PLN M*

Results of the Company	2015	2016	2017	2018	2019	2020
<b>Pre-tax profit of mBank Group</b>	1,618	1,638	1,528	1,787	1,555	610
change in PLN M		20	-110	259	-232	-945
change in %		1.24%	-6.72%	16.95%	-12.8%	-60.77%
<b>Net profit of mBank Group</b>	1,301	1,219	1,092	1,303	1,010	104
change in PLN M		-82	-128	211	-292	-907
change in %		-6.30%	-10.41%	19.32%	-22.49%	-89.70%
<b>Cost/Income ratio of mBank Group</b>	50.1%	45.7%	45.9%	42.6%	42.2%	41.1%
<b>CET1 capital ratio</b>	14.29%	17.32%	18.31%	17.47%	16.51%	16.99%

The main financial goal of the Management Board is to build long-term value of the Company, achieve financial goals defining the profitability, stability and growth of the Bank, and to ensure satisfactory shareholder return. Cost/Income (C/I) ratio: down to ~40.0% in 2023. Capital ratios: minimum 1.5 p.p. above KNF requirements at the end of the year.

## **To foster the Bank's growth in 2019 and 2020, the Management Board Members also pursued non-financial objectives**

These efforts focused on:

- 1/ implementing the rules of simple and empathic communication at the Bank;
- 2/ achieving effectiveness in customer service and in operations area;
- 3/ optimising processes;
- 4/ optimising infrastructure use, systematic development of the mobile app.

The Management Board pursued activities going beyond what is required by the law in the field of activities centered on clients, the environment, employees, and society as part of sustainable development. In 2019 and 2020, guided by the Sustainable Development Goals (SDGs) set by the UN and implemented by the Management Board in the business strategy, the Management Board focused its efforts on the following three aspects:

- 1/ mBank educates by supporting the development of mathematical skills in children and teenagers;
- 2/ mBank cares about the climate and environment by supporting and promoting attitudes that will help stop and reverse negative climate and environmental changes;
- 3/ mBank fosters the well-being of the society by investing in health (cooperation with the Great Orchestra of Christmas Charity (WOŚP)), and ensuring accessibility for clients with disabilities.

### **5. [The amount of remuneration from members of the same capital group within the meaning of the Accounting Act of September 29, 1994.](#)**

In 2019 and 2020, the Management Board Members and Supervisory Board did not receive remuneration from members of mBank Group.

### **6. [The number of financial instruments granted or offered, and main conditions for exercising the rights arising from these instruments, including the price and date of exercise and change thereof](#)**

#### **Remuneration in the form of financial instruments**

50% of the non-deferred part and 50% of the deferred part of variable remuneration is granted in non-cash form, i.e. in the form of subscription warrants.

In 2019 and 2020, the Management Board Members acquired rights to non-cash tranches in bonds with the pre-emptive right to acquire shares under the rules stipulated in the incentive programme running until 2018, and in subscription warrants convertible into shares under the rules stipulated in the programme running since 2018. In both programmes, the part granted in the form of bonds or warrants amounts to 50% of variable remuneration, and is paid out in tranches.

Bonds being a bonus for a given year are paid out in four tranches. The first tranche of the year in which an employee acquires the right to receive a bonus is paid out not earlier than in the sixth month after the date of acquisition of the right to the bonus. The next three tranches are paid out in equal parts after 12, 24 and 36 months, respectively, following the date of acquisition of the right to receive a bonus (not earlier than in the sixth month after the date of acquisition of the right to receive a non-cash bonus) for each subsequent year. The last, fourth tranche of the bonus for 2015, the third tranche of the bonus for 2016, and the second tranche of the bonus for 2017 were paid out in 2019. The last, fourth tranche of the bonus for 2016, and the third tranche of the bonus for 2017 were paid out in 2020. Under this programme, the last tranche of the bonus for 2017 will be paid out in 2021.



Warrants being a bonus for a given year are paid out in six tranches. The first tranche is paid out not earlier than 12 months after the date of the General Meeting approving the consolidated financial statements of mBank Group for the year for which the bonus is granted. The following five tranches are paid out not earlier than 12 months after the date of the General Meeting approving the consolidated financial statements of mBank Group for each subsequent year. Under the programme offering warrants, the first non-cash tranche of the bonus for 2018 was settled in 2020.

Bonds and warrants are offered to eligible persons on the maturity date of a given tranche. Bonds / warrants are acquired by the Management Board Members in a given calendar year exclusively in the bonds / warrants acquisition periods set by a resolution of the Supervisory Board. Bonds are acquired at PLN 0.01 per bond, and warrants are acquired free of charge. The rights to acquire shares arising from bonds or warrants are exercised at the issue price (PLN 4 per share).

The Supervisory Board, based on a stance of the Remuneration Committee of the Supervisory Board, may decide to withhold the right of a Management Board Member to acquire bonds/warrants in whole or in part as a result of his/her assessment for the period of time exceeding one year (i.e. for at least three years) if it concludes that the Management Board Member has had a direct and negative impact on the financial result or market position of mBank Group, has violated rules and standards applicable at mBank Group, has directly caused significant financial losses, when at least one of the score card components has not been met or any of the premises stipulated in Article 142 of the Banking Law Act, in particular Article 142 (2) has occurred.

A Management Board Member loses his/her right to payment of the deferred non-cash part for the previous years whose payment date has not fallen yet if:

- 1/ he/she is not appointed a Member of the Management Board of the Bank for another term of office due to his/her refusal to run for the office,
- 2/ he/she is not appointed a Member of the Management Board of the Bank for another term of office or is dismissed during his/her term of office for any of the following reasons:
  - a/ he/she is charged with committing an offence (a misdemeanour or a felony),
  - b/ he/she loses the powers and qualifications required of a Member of the Management Board of the Bank, as stipulated by the law, in particular the Banking Law Act,
  - c/ he/she is charged with acting to the detriment of the Bank or mBank Group,
  - d/ he/she breaches the non-compete clause,
  - e/ he/she otherwise seriously breaches the managerial contract, a serious breach being in particular the disclosure of confidential information.

**Table 4: Information on the number of financial instruments to be acquired and already acquired by the Management Board Members in 2019 and 2020.**

Name and surname / function	Bonus for	Date of granting	price per share used to calculate the number of instruments	existing at the beginning of 2019	offered in 2019	exercised in 2019	existing at the end of 2019	offered in 2020	exercised in 2020	existing at the end of 2020
				number of bonds/warrants	number of bonds/warrants	number of bonds/warrants	number of bonds/warrants	number of bonds/warrants	number of bonds/warrants	number of bonds/warrants
<b>Cezary Stypułkowski</b> President of the Management Board	2015	25.02.2016	319.79	782	782	782	0	0	0	0
	2016	01.03.2017	398.46	1156	578	578	578	578	578	0
	2017	12.04.2018	430.23	1515	505	505	1010	505	505	505
	2018	26.02.2019	436.15	0	0	0	2293	918	918	1375
	2019	28.02.2020	366.86	0	0	0	0	0	0	2999
<b>Cezary Kocik</b> Vice-President of the Management Board, Head of Retail Banking	2015	25.02.2016	319.79	469	469	469	0	0	0	0
	2016	01.03.2017	398.46	627	314	314	313	313	313	0
	2017	26.02.2018	487.49	770	257	257	513	257	257	256
	2018	26.02.2019	436.15				1376	551	551	825
	2019	28.02.2020	366.86				0			1636
<b>Adam Pers*</b> Vice-President of the Management Board, Head of Corporate and Investment Banking	2015	25.02.2016	319.79	93	93	93	0	0	0	0
	2016	21.02.2017	387.29	164	82	82	82	82	82	0
	2017	26.02.2018	487.49	229	77	77	152	76	76	76
	2018	26.02.2019	436.15				1147	459	0	1147
	2019	28.02.2020	366.86							1636
<b>Krzysztof Dąbrowski*</b> Vice-President of the Management Board, Head of Operations and IT	2015	25.02.2016	319.79	83	83	83	0			0
	2016	21.02.2017	387.29	138	69	69	69	69	69	0
	2017	26.02.2018	487.49	462	154	154	308	154	154	154
	2018	26.02.2019	436.15				1147	459	459	688
	2019	28.02.2020	366.86							1500
<b>Andreas Böger</b> Vice-President of the Management Board, Chief Financial Officer	2015			0	0	0	0			
	2016	01.03.2017	398.46	0	0	0	0			
	2017	26.02.2018	487.49	269	90	90	179	90	90	89
	2018	26.02.2019	436.15				1147	459	459	688
	2019	28.02.2020	366.86							1500
<b>Frank Bock</b> Vice-President of the Management Board, Head of Financial Markets	2015			0	0	0	0			0
	2016	01.03.2017	398.46	0	0	0	0			0
	2017	26.02.2018	487.49	333	111	111	222	111	111	111
	2018	26.02.2019	436.15				803	321	321	482
	2019	28.02.2020	366.86							1363
<b>Lidia Jabłonowska-Luba</b> Vice-President of the Management Board, Chief Risk Officer	2015	25.02.2016	319.79	437	437	437	0			
	2016	01.03.2017	398.46	627	314	314	313	313	313	0
	2017	26.02.2018	487.49	462	154	154	308	154	154	154
	2018	26.02.2019	436.15				1032	413	413	619
	2019	28.02.2020	366.86							1363
<b>Christoph Heins</b> Vice-President of the Management Board, Chief Financial Officer	2015	25.02.2016	319.79	0	0	0	0			
	2016	01.03.2017	398.46	314	157	0	314	157	314	0
	2017	26.02.2018	487.49	231	77	0	231	77	154	77
	2018									
	2019									
<b>Jarosław Mastalerz</b> Vice-President of the Management Board, Head of Operations and IT	2015	25.02.2016	319.79	532	532	532	0			
	2016	01.03.2017	398.46	627	314	314	313	313	313	0
	2017	26.02.2018	487.49	154	52	52	102	51	51	51
	2018									
	2019									
<b>Przemysław Gdański</b> Vice-President of the Management Board, Head of Corporate and Investment Banking	2015	25.02.2016	319.79	437	437	437	0			
	2016	01.03.2017	398.46	627	314	314	313	313	313	0
	2017	26.02.2018	487.49	513	171	171	342	171	171	171
	2018									
	2019									
<b>Joerg Hessenmueller</b> Vice-President of the Management Board, Chief Financial Officer	2015	25.02.2016	319.79	469	469	0	469		469	0
	2016	01.03.2017	398.46	314	157	0	314	157	314	0
	2017		487.49				0			0
	2018									0
	2019									0

## 7. Information on using the option of requesting a Management Board Member to return variable components of remuneration

### Return of variable components of remuneration

A Management Board Member may be obliged, under the rules and within the time limit determined by a decision of the Supervisory Board of the Bank, to return the bonus granted and paid for a given calendar year (i.e. the non-deferred part and all deferred parts) if he/she has violated the rules and standards adopted in mBank Group, has materially violated the generally applicable laws or has directly caused significant financial losses being the consequence of his/her deliberate adverse actions to the detriment of mBank Group, or has contributed to financial sanctions being imposed on the Bank by supervisory bodies under a final and non-appealable decision.

The decision on whether the above-mentioned events occurred may be taken by the end of the calendar year in which the last tranche of the deferred part of the bonus awarded for the year in which the event occurred is paid.

In 2019 and 2020, the Bank did not use the option of requesting a Management Board Member to return variable components of remuneration, since no grounds for doing so, referred to above, occurred.

## 8. Information on departures from the procedure of implementing the Remuneration Policy and departures applied in line with Article 90f of the Act on Public Offering, including the explanation of factors and the manner, and indication of elements subject to departure.

On December 17, 2020, the Supervisory Board, in accordance with a recommendation of the Remuneration Committee of the Supervisory Board and bearing in mind the recommendation of the Office of the Polish Financial Supervision Authority (UKNF) on variable remuneration components at banks communicated in the letter dated April 17, 2020 regarding measures expected to be taken by banks in response to the Covid-19 pandemic outbreak, decided to amend the RT Remuneration Policy. In particularly justified cases, when there is a need to mitigate the risk connected with maintaining a sound capital base of the Bank to enable it to effectively respond to the economic situation in Poland arising from, for example, the Covid-19 pandemic, the Supervisory Board may adopt a resolution to pay the cash tranches in whole or in part (both the non-deferred and deferred tranches) in the form of subscription warrants, starting from the bonus for 2020. Subscription warrants will be awarded in the acquisition periods set by the Supervisory Board, not earlier than 12 months after the date of the General Meeting approving the consolidated financial statements of mBank Group for the previous calendar year.

## IV. CONCLUSIONS

The Supervisory Board reviewed the remuneration and all benefits awarded to individual Management Board and Supervisory Board Members in terms of their compliance with applicable policies (the Remuneration Policy and the RT Remuneration Policy).

1. Remuneration paid to the Management Board Members both in cash and financial instruments complies with applicable policies and meets all legal requirements.
2. The applicable Remuneration Policy and RT Remuneration Policy constitute tools for remuneration management. These policies support sound and effective risk management in mBank Group and do not encourage employees to take excessive risk exceeding the risk appetite approved by the Supervisory Board but they encourage employees to take particular care of long-term interests of the Bank.

3. The applicable remuneration rules enable a flexible policy concerning variable components of remuneration, providing for, among others, a wide range of qualitative and quantitative factors making it possible to reduce or even withhold variable remuneration (also in respect of deferred parts) in the case the Company faces difficulties related to its financial standing or capital.
4. The Supervisory Board, guided by prudent and stable management of risk, capital and liquidity and out of concern for long-term interests of the Bank and interests of the Bank's shareholders and investors, positively assesses the application of the Remuneration Policy and compliance of remuneration paid to the Management Board and Supervisory Board Members with the Remuneration Policy applicable at the Bank.