



**Report of mBank S.A. on Remuneration of the
Management Board Members and Supervisory Board
Members for 2021**

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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 International Financial Reporting Standards (“IFRS”). For detailed information, see note 1 of the Consolidated Financial Statements mBank Group SA for 2021;

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 in the wording adopted by resolution of the Management Board of the Bank dated February 25, 2021;

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.

In 2021 mBank S.A. and mBank S.A. Group posted a net loss of PLN 1,215,353,000 and PLN 1,178,813,000, respectively. The loss resulted from the legal risk costs recognised in 2021 in connection with mortgage and housing loans in CHF granted to retail clients, which is described in detail in Note 34 to the Consolidated Financial Statements of mBank S.A. Group for 2021. The profitability of the business model of the bank and the group was high and stable throughout 2021. As at 31 December 2021 and as at the date of this report the bank and the group were in compliance with all regulatory requirements, including capital adequacy and liquidity requirements.

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. Acting pursuant to Article 2 (4) of the Remuneration Policy, on February 25, 2021 Article 5 (3) of the Remuneration Policy was amended by resolution of the Management Board of the Bank. 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 applicable in 2021 was developed on the basis of:

1. 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;
2. 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.¹
3. Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V).
4. EBA (European Banking Authority) Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 – EBA/GL/2015/22 of June 27, 2016.²

¹ The regulation was repealed with effect from 11 June 2021 and replaced by the regulation of the Minister of Finance, Development Funds and Regional Policy of 8 June 2021 on the Risk Management System, Internal Control System and Remuneration Policy at Banks

² The guidelines were repealed with effect from 31 December 2021 and replaced with new Guidelines on regular remuneration policy under Directive 2013/36 / EU - EBA / GL / 2021/04 of 21/07/2021

The RT Remuneration Policy:

1. supports sound and effective risk management and does not encourage employees to take excessive risk beyond the acceptable general risk level approved by the Supervisory Board,
2. fosters the implementation of the bank management strategy and risk management strategy, and reduces the risk of conflicts of interest,
3. supports capital management,
4. is gender neutral.

The Management Board is responsible for the development, implementation and observance of the RT Remuneration Policy. The Supervisory Board approves the RT Remuneration Policy. The RT Remuneration Policy is reviewed annually. The Policy applicable in 2021 was approved by Resolution No. 49/20 of the Supervisory Board dated December 17, 2020.

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 2021

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 2021:

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 2021 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 2021. The payments concerned the deferred tranches of bonuses for 2017 and were made in accordance with the programme.

The right to a bonus was acquired and the bonus amounts for 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 were made in 2021, and consequently, the programme ended.

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.

Starting from the bonus for 2020, in particularly justified cases when a need arises to mitigate the risk connected with maintaining a sound capital base of the Bank enabling 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.

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 2021, 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 2021.

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.

In 2021, in accordance with Resolution No. 140/21 of the Supervisory Board, the Management Board Members were awarded variable remuneration for 2020. The variable remuneration was awarded in whole in the form of subscription warrants and will be paid in accordance with the RT Remuneration Policy. The first tranche will be paid in 2022.

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 2021.

In 2021:

- 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 had been paid in twelve equal monthly instalments since November 2020. The last instalment was paid in October 2021.
- 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 had been paid in six equal monthly instalments since January 2021. The last instalment was paid in June 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 a decision 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 to the Management Board Members and the Supervisory Board Members in 2021

Table 1: Total remuneration of the Management Board Members for 2021

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			
Cezary Stypulkowski President of the Management Board	01.10.2010 now	01.01.2021- 31.12.2021	3,526,223	374,669		1,246,466		5,147,358	32%
Adam Pers Vice-President of the Management Board, Head of Corporate and Investment Banking	26.10.2017 now	01.01.2021- 31.12.2021	1,656,000	157,899		506,666		2,320,565	28%
Cezary Kocik Vice-President of the Management Board, Head of Retail Banking	01.04.2012 now	01.01.2021- 31.12.2021	1,656,000	256,045		706,000		2,618,045	37%
Krzysztof Dąbrowski Vice-President of the Management Board, Head of Operations and Information Technology	01.04.2017 now	01.01.2021- 31.12.2021	1,656,000	185,438		556,000		2,397,438	30%
Andreas Böger Vice-President of the Management Board, Chief Financial Officer	01.07.2017 now	01.01.2021- 31.12.2021	1,742,442	218,882		493,500		2,454,824	25%
Marek Lusztyn Vice-President of the Management Board, Chief Risk Officer	22.10.2020 now	01.01.2021- 31.12.2021	1,656,000	230,337				1,886,337	0%
Lidia Jabłonowska-Luba Vice-President of the Management Board, Chief Risk Officer	12.04.2013- 22.10.2020	01.01.2021- 31.12.2021		2,835		518,000	1,400,000	1,920,835	
Frank Bock						452,332	828,000	1,280,332	

Vice-President of the Management Board, Head of Financial Markets	01.05.2017-31.12.2020	01.01.2021-31.12.2021							
Christoph Heins Vice-President of the Management Board, Chief Financial Officer	01.07.2016-30.04.2017	01.01.2021-31.12.2021				75,000		75,000	
Jarosław Mastalerz Vice-President of the Management Board, Head of Operations and Information Technology	01.04.2012-31.03.2017	01.01.2021-31.12.2021				50,000		50,000	
Przemysław Gdański Vice-President of the Management Board, Head of Corporate and Investment Banking	01.01.2011-25.10.2017	01.01.2021-31.12.2021				166,668		166,668	

One-year variable remuneration: the non-deferred cash part of the bonus awarded and paid in a given year. Since the variable remuneration for 2021 was awarded in whole in subscription warrants, no cash payments were made in 2021.

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, employee capital plans (PPK)) as per the table below:

<i>in PLN</i>	in 2021
Cezary Stypułkowski	28,542
Adam Pers	3,477
Cezary Kocik	72,036
Krzysztof Dąbrowski	3,477
Marek Luszczyn	28,542

In 2021 the Management Board Members:

did not receive remuneration from members of mBank Group;

- did not receive payments under old age and disability pension programmes.

Table 2: Deferred variable cash remuneration to which rights will be acquired in the following years

In PLN

Name and surname/Function	Bonus for	Payment year			
		2022	2023	2024	2025
Cezary Stypułkowski President of the Management Board	2018	120,000.00	120,000.00	120,000.00	
	2019	132,000.00	132,000.00	132,000.00	132,000.00
Cezary Kocik Vice-President of the Management Board, Head of Retail Banking	2018	72,000.00	72,000.00	72,000.00	
	2019	72,000.00	72,000.00	72,000.00	72,000.00
Adam Pers Vice-President of the Management Board, Head of Corporate and Investment Banking	2018	60,000.00	60,000.00	60,000.00	
	2019	72,000.00	72,000.00	72,000.00	72,000.00
Krzysztof Dąbrowski Vice-President of the Management Board, Head of Operations and IT	2018	60,000.00	60,000.00	60,000.00	
	2019	66,000.00	66,000.00	66,000.00	66,000.00
Andreas Böger Vice-President of the Management Board, Chief Finance Officer	2018	60,000.00	60,000.00	60,000.00	
	2019	66,000.00	66,000.00	66,000.00	66,000.00
Frank Bock Vice-President of the Management Board, Head of Financial Markets	2018	42,000.00	42,000.00	42,000.00	
	2019	60,000.00	60,000.00	60,000.00	60,000.00
Lidia Jabłonowska-Luba Vice-President of the Management Board, Chief Risk Officer	2018	54,000.00	54,000.00	54,000.00	
	2019	60,000.00	60,000.00	60,000.00	60,000.00

Remuneration of Supervisory Board Members in 2021

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 3: Remuneration of Supervisory Board Members in 2021

Name and surname	Remuneration paid in 2021 (in PLN)	
	Remuneration	Other benefits*
Agnieszka Słomka-Gołębiowska	357,000	26,829
¹ Joerg Hessenmueller		
Tomasz Bieske	424,800	4,549
Marcus Chromik		
Mirosław Godlewski	252,000	3,780
Aleksandra Gren	243,000	3,645
Bettina Orlopp		
² Sabine Schmittroth		
Fred Arno Walter	110,710	
Armin Barthel	40,065	
Total	1,427,575	38,804

¹Mr Jorg Hessenmuller was a SB Member since May 1, 2016 and resigned as of September 30, 2021

²Ms Sabine Schmittroth was a SB Member since October 23, 2020 and resigned as of March 25, 2021

*other benefits: healthcare package, company car for private use, employee capital plans (PPK).

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:

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

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

$$\text{EP} = (1/2) \text{EP} (N) + (1/3) \text{EP} (N-1) + (1/6) \text{EP} (N-2)$$

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 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/ financial objectives account for 35%-50% (weights depend on the impact of individual Management Board Members on these objectives), qualitative
- 2/ objectives account for up to 65% of objectives, depending on the responsibility of individual Management Board Members.

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 2021, 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 4: Comparison of changes in remuneration in the last five reported financial years

Year-on-year change	Seniority in the Management Board	2016	2017	2018	2019	2020	2021
Remuneration of the Management Board Members							
Cezary Stypułkowski, President of the Management Board	01.10.2010-now	5,975,079	5,617,840	6,301,658	5,426,330	5,682,772	5,147,358
<i>year-on-year change</i>			-5,98%	12,17%	-13,89%	4,73%	-9,42%
Adam Pers, Vice-President of the Management Board, Head of Corporate and Investment Banking	26.10.2017-now		291,993	2,235,895	2,212,630	2,476,493	2,320,565
<i>year-on-year change</i>				38,08%	-1,04%	11,93%	-6,30%
Cezary Kocik, Vice-President of the Management Board, Head of Retail Banking	01.04.2012-now	3,416,097	3,268,765	3,529,150	2,934,929	2,992,420	2,618,045
<i>year-on-year change</i>			-4,31%	7,97%	-16,84%	1,96%	-12,51%
Krzysztof Dąbrowski, Vice-President of the Management Board, Head of Operations and Information Technology	01.04.2017-now		1,212,939	2,583,746	2,293,683	2,549,697	2,397,438
<i>year-on-year change</i>				60,05%	-11,23%	11,16%	-5,97%
Andreas Böger, Vice-President of the Management Board, Chief Financial Officer	01.07.2017-now		865,971	2,037,639	2,424,969	2,559,785	2,454,824
<i>year-on-year change</i>				18,29%	19,01%	5,56%	-4,10%
Marek Lusztyn, Vice-President of the Management Board, Chief Risk Officer	22.10.2020-now					321,708	1,886,337
<i>year-on-year change</i>							13,75%
Frank Bock, Vice-President of the Management Board, Head of Financial Markets	01.05.2017-31.12.2020		1,290.749	2,163,773	2,519,098	2,557,348	1,280,332
<i>year-on-year change</i>				21,38%	16,4%	1,52%	-49,94%
Lidia Jabłonowska-Luba, Vice-President of the Management Board, Chief Risk Officer	12.04.2013-22.10.2020	2,850,769	3,073,750	3,002,087	2,736,781	2,377,002	1,920,835

<i>year-on-year change</i>			7,82%	-2,33%	-8,84%	12,02%	-19,19%
Christoph Heins, Vice-President of the Management Board, Chief Financial Officer	01.07.2016-30.04.2017	1,210,216	1,295,861	137,500	200,095	200,000	75,000
<i>year-on-year change</i>			64,18%	-89,39%	45,52%	-0,05%	-62,50%
Jarosław Mastalerz, Vice-President of the Management Board, Head of Operations and IT	01.04.2012-31.03.2017	3,523,480	2,347,797	525,000	640,594	300,000	50,000
<i>year-on-year change</i>			170,23%	-77,64%	22,02%	-53,17%	-83,33%
Przemysław Gdański, Vice-President of the Management Board, Head of Corporate and Investment Banking	01.01.2011-25.10.2017	3,374,359	4,610,798	611,668	696,559	416,668	166,668
<i>year-on-year change</i>			78,76%	-86,73%	13,88%	-40,18%	-60,00%

year-to-year change calculated in proportion to the period of holding a seniority in the Management Board

Average remuneration per full FTE	2016	2017	2018	2019	2020	2021
Employees of the Company	122,004	123,984	125,309	129,337	132,230	131,824
<i>year-on-year change</i>		1,62%	1,07%	3,21%	2,24%	-0,31%

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	2016	2017	2018	2019	2020	2021
Pre-tax / loss profit of mBank Group	1,638	1,528	1,787	1,555	610	-591
change in PLN M		-110	259	-232	-945	-1 201
change in %		-6,72%	16,95%	-12,98%	-60,77%	-196,89%
Net profit / loss of mBank Group	1,219	1,092	1,303	1,010	104	-1,179
change in PLN M		-127	211	-293	-906	-1 283
change in %		-10,42%	19,32%	-22,49%	-89,70%	-1233,65%
Cost/Income ratio of mBank Group	45,7%	45,90%	42,6%	42,2%	41,1%	40,20%
Common Equity Tier 1 capital ratio	17,32%	18,31%	17,47%	16,51%	16,99%	14,15%

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, retain the position of one of the best financial institutions in Poland.

In 2021 mBank Group posted a pre-tax loss. The decrease in the gross result was influenced by higher costs of legal risk related to foreign currency loans. In 2021, they amounted to PLN 2,758.1 million, compared to PLN 1,021.7 million in 2020. Despite the loss, capital and liquidity ratios remain at safe levels considerably exceeding the regulatory minimums, which enables the Bank to continue its growth trajectory and implement the adopted strategy. In 2021 mBank Group's income reached an all-time high (+4.2%).

To foster the Bank's growth in 2021, the Management Board Members also pursued non-financial objectives

These efforts focused on:

- maintaining the Bank's technological advantage in the financial sector,
- systematic development of the mobile app, increasing the efficiency of internal systems, continued process optimisation,
- developing a multi-layer cybersecurity protection model and ensuring data confidentiality,

- creating the best possible hybrid workplace.

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 2021, guided by the Sustainable Development Goals (SDGs) set by the UN and implemented by the Management Board in the business strategy, the Management Board, similarly to the previous years, focused its efforts on the following three aspects:

- 1/ the Bank educates by supporting the development of mathematical skills in children and teenagers;
- 2/ the Bank cares about the climate and environment by supporting and promoting attitudes that will help stop and reverse negative climate and environmental changes;
- 3/ the Bank 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 2021, 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 2021, 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.

In 2021, the Management Board Members acquired the right to take up bonds as part of the fourth (last) tranche of the bonus for 2017. All rights to take up bonds under the programme applicable until 2018 were exercised and the programme ended on December 31, 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 second tranche of the bonus for 2018 and the first tranche of the bonus for 2019 were paid.

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 5: Information on the number of financial instruments to be acquired and already acquired by the Management Board Members in 2021.

Name and surname / function	Bonus for	Date of granting	price per share used to calculate the number of instruments	existing at the beginning of 2021	offered in 2021	exercised in 2021	existing at the end of 2021
				number of options/warrants	number of options/warrants	number of options/warrants	number of options/warrants
Cezary Stypułkowski President of the Management Board	2017	12.04.2018	430,23	505	505	505	0
	2018	26.02.2019	436,15	1,375	275	275	1,100
	2019	28.02.2020	366,86	2,999	1,200	1,200	1,799
	2020	23.11.2021	198,12				5,048
Cezary Kocik Vice-President of the Management Board, Head of Retail Banking	2017	26.02.2018	487,49	256	256	256	0
	2018	26.02.2019	436,15	825	165	165	660
	2019	28.02.2020	366,86	1,636	655	655	981
	2020	23.11.2021	198,12				2,574
Adam Pers* Vice-President of the Management Board, Head of Corporate and Investment Banking	2017	26.02.2018	487,49	76	76	76	0
	2018	26.02.2019	436,15	1,147	597	597	550
	2019	28.02.2020	366,86	1,636	655	655	981
	2020	23.11.2021	198,12				2,574
Krzysztof Dąbrowski Vice-President of the Management Board, Head of Operations and IT	2017	26.02.2018	487,49	154	154	154	0
	2018	26.02.2019	436,15	688	138	138	550
	2019	28.02.2020	366,86	1,500	600	600	900
	2020	23.11.2021	198,12				2,574
Andreas Böger Vice-President of the Management Board, Chief Financial Officer	2017	26.02.2018	487,49	89	89	89	0
	2018	26.02.2019	436,15	688	138	138	550
	2019	28.02.2020	366,86	1,500	600	600	900
	2020	23.11.2021	198,12				2,574
Frank Bock Vice-President of the Management Board, Head of Financial Markets	2017	26.02.2018	487,49	111	111	111	0
	2018	26.02.2019	436,15	482	97	97	385
	2019	28.02.2020	366,86	1,363	546	546	817
	2020	23.11.2021	198,12				2,574
Marek Luszczyn Vice-President of the Management Board, Chief Risk Officer	2020	23.11.2021	198,12				757
Lidia Jabłonowska-Luba Vice-President of the Management Board, Chief Risk Officer	2017	26.02.2018	487,49	154	154	154	0
	2018	26.02.2019	436,15	619	124	124	495
	2019	28.02.2020	366,86	1,363	546	546	817
	2020	23.11.2021	198,12				1,514
Christoph Heins Vice-President of the Management Board, Chief Financial Officer	2017	26.02.2018	487,49	77	77	77	0
Jarosław Mastalerz Vice-President of the Management Board, Head of Operations and IT	2017	26.02.2018	487,49	51	51	51	0
Przemysław Gdański Vice-President of the Management Board, Head of Corporate and Investment Banking	2017	26.02.2018	487,49	171	171	171	0

* The number of financial instruments as part of the bonus for 2017 includes also the instruments awarded for the period in 2017 in which Adam Pers performed the function of a managing director.

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 2021, 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.

In 2021, there were no departures from the Remuneration Policy or the procedure of implementing the Remuneration Policy.

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.