

- Appendix to Decision No.20/24 of the Remuneration and Nomination Committee of the Supervisory Board of mBank S.A., dated 28 February 2024
- Appendix to Resolution No. 391/24 of the Supervisory Board of mBank S.A., dated 29 February 2024



Report on Remuneration of the Management Board Members and Supervisory Board Members of mBank S.A. for 2023

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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 2023;

Remuneration and Nomination Committee – the committee of the Supervisory Board which provides consultancy and advisory to the Supervisory Board and performs other tasks arising from its rules, applicable laws, and regulatory recommendations and guidelines;

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., (RT) adopted by Resolution No. 63/12 of the Supervisory Board dated July 25, 2012 as amended by Resolution No. 281/23 of the Supervisory Board dated March 2, 2023;

mBank Management Board Benefit Plan – mBank Management Board Benefit Plan adopted by Resolution No. 86/18 of the Supervisory Board dated April 12, 2018, as amended by Resolution No. 180/22 of the Supervisory Board dated March 3, 2022;

2018 incentive programme for the Management Board Members and key staff of mBank Group – programme adopted by Resolution No. 321/23 of the Supervisory Board dated June 13, 2023, as amended by Resolution No. 59/21 of the Supervisory Board dated February 25, 2021;

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. REPORT ON REMUNERATION OF THE MANAGEMENT BOARD MEMBERS AND SUPERVISORY BOARD MEMBERS FOR PREVIOUS YEARS

On March 30, 2023, the General Meeting adopted by resolution no. 25, with no remarks, the Report on Remuneration of the Management Board Members and Supervisory Board Members for 2021.

III. 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 2023. This report has been prepared under the Act on Public Offering, which introduced the obligation to prepare an annual report on remuneration of the Management Board and the Supervisory Board and have this report audited by a statutory auditor.

Changes in the composition of the Management Board and the Supervisory Board in 2023 affecting the remuneration reported herein:

Changes in the composition of the Management Board of mBank S.A.

- On January 17, 2023, Andreas Böger, Vice-President of the Management Board, Chief Financial Officer, resigned from his function, effective as of 30 April 2023.
- On March 30, 2023, the Supervisory Board of the Bank appointed, effective as of May 1, 2023, the following new Members of the Management Board of mBank:
 - Julia Nusser as Vice-President of the Management Board, Chief People & Regulatory Officer, and
 - Pascal Ruhland as Vice-President of the Management Board, Chief Financial Officer

until the end of the current term of office of the Management Board of mBank S.A.

Changes in the composition of the Supervisory Board

- On October 20, 2023, Dr. Marcus Chromik submitted his resignation as Member of the Supervisory Board, effective as of December 31, 2023.
- On October 14, 2022, Arno Walter submitted his resignation as Member of the Supervisory Board, effective as of March 30, 2023.
- On December 9, 2022, the Supervisory Board of mBank appointed Hans Georg-Beyer as Member of the Supervisory Board of mBank for the period from January 1, 2023 until the end of the current term of office of the Supervisory Board.
- On March 30, 2023, the General Meeting of mBank S.A. appointed Thomas Schaufler as Member of the Supervisory Board from March 31, 2023 until the end of the current term of office of the Supervisory Board.

Remuneration of the Management Board and the Supervisory Board Members

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

1. Remuneration Policy;
2. RT Remuneration Policy;
3. Management contracts signed with the Management Board Members;
4. mBank Management Board Benefit Plan;

5. 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, which entitles the Supervisory Board Members to non-cash benefits, 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 2023 was developed on the basis of:

1. Banking Law as defined above;
2. Regulation of the Minister of Finance, Development Funds and Regional Policy of June 8, 2021 on the Risk Management System, Internal Control System and Remuneration Policy at Banks;
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 (EBA/GL/2021/04 of July 2, 2021).
5. Recommendation Z of the Polish Financial Supervision Authority on the Principles of Internal Governance at Banks.

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 the risk management strategy, which covers also environmental, social and corporate governance risk (ESG risk), and reduces the risk of conflicts of interest,
3. supports responsible and prudent capital management. In particular, prior to making a decision to pay variable components of remuneration, the following are taken into consideration: the current and forecast capital position and the provisions of the Act of August 5, 2015 on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System pertaining to the calculation of the maximum distributable amount (MDA),
4. sets out the remuneration rules for Risk Takers by determining fixed and variable components of remuneration,

5. ensures transparent rules of determining and paying the Bonus, being a component of variable remuneration,
6. 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 by the Management Board of the bank and reviewed independently by the Internal Audit Department.

The Remuneration and Nomination Committee operating at the Bank supports the Supervisory Board in fulfilling its statutory obligations and performing tasks resulting from the law. The Committee's tasks include, among others: verifying, on an annual basis, the RT Remuneration Policy and the Remuneration Policy, issuing and presenting to the Supervisory Board its opinions on the policies and proposing changes, if needed.

The RT Remuneration Policy applicable in 2023 was approved by Resolution of the Supervisory Board No. 281/23 of March 2, 2023.

Benefit Plan for the Management Board of mBank

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. allowance for flights or rent allowance. It governs issues connected with the costs of relocation, rent and childcare and costs fees for schools/preschools attended by children of the seconded employees.

IV. 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 2023

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.

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

In 2023, the variable remuneration was awarded and paid based on the company's RT Remuneration Policy and the incentive programme for the Management Board Members and key staff of mBank Group.

As part of variable remuneration the Management Board Members can:

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

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 2023, 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 maximum ratio of the average total gross remuneration of the Management Board Members on an annual basis to the average total gross remuneration of other bank employees on an annual basis was set as the amount not higher than 50 times the average total remuneration of an employee of the Bank.

The said proportions were not exceeded in 2023.

In accordance with the aforesaid principles, the Management Board Members were awarded bonuses in cash (50%) and in subscription warrants (50%) for 2018, 2019 and 2022. In 2021 and 2022, the Supervisory Board awarded the Management Board Members variable remuneration for 2020 and 2021, respectively, in whole in the form of subscription warrants.

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 and Nomination Committee 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.

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. Since 2022, the Bank has been paying an annual allowance in the amount of ten thousand zlotys to cover the costs of advisory services concerning the settlement of income tax by a Management Board Member. In addition, if a Management Board Member is a foreigner, the Bank pays e.g. the costs of a Polish language course, the costs of a Polish school/kindergarten for his/her children, a rent allowance or 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 and Nomination Committee, 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. life insurance with an investment fund: the annual premium accounting for 20% of basic remuneration;
3. rent allowance were valued on the basis of prices of the entity providing this benefit to the Bank;
4. 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;
5. 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 2023

Table 1: Total remuneration of the Management Board Members for 2023

in PLN

Surname of the Management Board Member, position	Seniority in the Management Board	Reporting period	1		2		3	4
			Fixed remuneration		Variable remuneration			
			basic	other benefits*	one-year	multi-year		
Remuneration paid to MB Members active as at the end of 2023								
Cezary Stypułkowski President of the Management Board	from 01.10.2010 until now	01.01.2023-31.12.2023	3 512,913	714,162	424,000	1,424 000	6,075,075	44%
Adam Pers Vice-President of the Management Board, Head of Corporate and Investment Banking	from 26.10.2017 until now	01.01.2023-31.12.2023	1,680,000	340,414	224,000	725,200	2,969,614	47%
Cezary Kocik Vice-President of the Management Board, Head of Retail Banking	from 01.04.2012 until now	01.01.2023-31.12.2023	1 680 000	455,148	224 000	749,200	3,108,348	46%
Krzysztof Dąbrowski Vice-President of the Management Board, Head of Operations and IT	from 01.04.2017 until now	01.01.2023-31.12.2023	1,680,000	372,482	224,000	713,200	2,989,682	46%
Marek Lusztyń Vice-President of the Management Board, Chief Risk Officer	from 22.10.2020 until now	01.01.2023-31.12.2023	1,680,000	400,239	196,000	418,000	2,694,239	30%
Pascal Ruhland Vice-President of the Management Board, Chief Financial Officer	from 01.05.2023 until now	01.01.2023-31.12.2023	1,120 000	546,298	-	-	1,666,298	0%
Julia Nusser Vice-President of the Management Board, Chief People & Regulatory Officer	from 01.05.2023 until now	01.01.2023-31.12.2023	1 120 000	547,615	-	-	1 667,615	0%
Remuneration for former Management Board Members paid in 2023								
Andreas Böger Vice-President of the Management Board, Chief Financial Officer	01.07.2017 - 30.04.2023	01.01.2023-31.12.2023	560,000	137,648	224,000	713,200	1,634,848	52%
Frank Bock Vice-President of the Management Board, Head of Financial Markets	01.05.2017- 31.12.2020	01.01.2023-31.12.2023	n/a	n/a	n/a	102 000	102 000	
Lidia Jabłonowska-Luba Vice-President of the Management Board, Chief Risk Officer	12.04.2013- 22.10.2020	01.01.2023-31.12.2023	n/a	n/a	n/a	114 000	114,000	

Variable remuneration – remuneration awarded for previous years paid in a given year. As at the date of this Report, the decision on awarding variable remuneration for 2023 has not been taken yet.

One-year variable remuneration: the non-deferred cash part of the bonus awarded and paid in a given year (non-deferred cash part of the bonus for 2022).

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 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) as per the table below:

in PLN	in 2023
Cezary Stypułkowski	2,850
Adam Pers	4,561
Cezary Kocik	86,030
Krzysztof Dąbrowski	4,561
Marek Luszczyn	2,850

In 2023, 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

First name and surname / Function	Bonus for	Payment year				
		2024	2025	2026	2027	2028
Cezary Stypułkowski President of the Management Board	2018	120,000	-	-	-	-
	2019	132,000	132,000			
	2022	127,200	127,200	127,200	127,200	127,200
Adam Pers Vice-President of the Management Board, Head of Corporate and Investment Banking	2018	60,000	-	-	-	-
	2019	72,000	72,000	-	-	-
	2022	67,200	67,200	67,200	67,200	67,200
Cezary Kocik Vice-President of the Management Board, Head of Retail Banking	2018	72,000	-	-	-	-
	2019	72,000	72,000	-	-	-
	2022	67,200	67,200	67,200	67,200	67,200
Marek Luszczyn Vice-President of the Management Board, Chief Risk Officer	2022	58,800	58,800	58,800	58,800	58,800
Krzysztof Dąbrowski Vice-President of the Management Board, Head of Operations and IT	2018	60,000	-	-	-	-
	2019	66,000	66,000	-	-	-
	2022	67,200	67,200	67,200	67,200	67,200
Andreas Böger Vice-President of the Management Board, Chief Financial Officer	2018	60,000	-	-	-	-
	2019	66,000	66,000	-	-	-
	2022	67,200	67,200	67,200	67,200	67,200
Frank Bock Vice-President of the Management Board, Head of Financial Markets	2018	42,000	-	-	-	-
	2019	60,000	60,000	-	-	-
Lidia Jabłonowska-Luba Vice-President of the Management Board, Chief Risk Officer	2018	54,000	-	-	-	-
	2019	60,000	60,000	-	-	-

Remuneration of Supervisory Board Members in 2023

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. The remuneration of the Supervisory Board Members is composed of monthly remuneration for participation in the Supervisory Board and remuneration for participation in the Standing Committees appointed by the Supervisory Board. The remuneration for participation in the standing committees is set as a percentage of the monthly remuneration and equal to:

- 1/ 50% of the monthly remuneration for participation in the first Standing Committee,
- 2/ 25% of the monthly remuneration for participation in the second Standing Committee.

No additional remuneration is paid to a Supervisory Board Member who sits on three or more Standing Committees of the Supervisory Board.

However, a Supervisory Board Member performing the function of the Chairperson of the Audit Committee of the Supervisory Board of the Bank is entitled to additional remuneration equal to 80% of the sum of the monthly remuneration and the remuneration for participation in the first Standing Committee paid to this Supervisory Board Member.

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 2023

No.	First name and surname	Remuneration paid in 2023 (in PLN)
1.	Agnieszka Słomka-Gołębiowska	465,020
2.	Bettina Orlopp	
3.	Tomasz Bieske	430,774
4.	Mirosław Godlewski	255,780
5.	Aleksandra Gren	255,780
6.	Hans Georg Beyer	216,000
7.	Marcus Chromik	
8.	Thomas Schaufler	
9.	Fred Arno Walter*	48,000
	In total	1,671,354

*On March 30, 2023, Fred Arno Walter resigned from his function

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 bonus amount for every Management Board Member individually and at its own discretion. The bonus amounts are determined based on the achievement of MbO objectives and the Score Card (the template of which is set out in the RT Remuneration Policy) for at least the last three calendar years. The Supervisory Board takes into account the business cycle of the Bank and the risk inherent in its business activity. The bonus amount depends on the amount of the bonus pool.

Starting from 2023, the bonus pool for a given calendar year is determined based on the total of amounts calculated using key performance indicators (KPIs). The Supervisory Board approves:

- definition of KPIs,
- number of KPIs in a given year,
- percentage share of every KPI in the bonus pool,
- results considered as a 100% achievement of individual KPIs and the actual results for the KPIs.

A 100% achievement of a KPI forms the starting point. If the starting point for every KPI is achieved, the bonus pool amounts to eight times the monthly basic remuneration of all Management Board Members. Where the KPI achievement is higher or lower than the respective starting point, its percentage result is decreased or increased proportionally. The percentage result for every KPI is the weighted average of results from the calendar year for which the bonus is awarded and the two preceding years, calculated as per the following formula:

$$\text{Percentage result of a KPI} = (1/2) * N + (1/3) * (N-1) + (1/6) * (N-2)$$

where:

N → percentage result of the KPI for the calendar year for which the bonus is awarded,

N-1 → percentage result of the KPI for the calendar year immediately preceding the calendar year for which the bonus is awarded,

N-2 → percentage result of the KPI for the calendar year preceding by two years the calendar year for which the bonus is awarded.

The Supervisory Board may decide to increase or decrease the bonus pool calculated based on KPIs if one-off events occur, such as a one-off transaction affecting costs or P&L or other events resulting from measures taken by public administration bodies or

regulatory bodies, that are generally outside the control of a Management Board Member or that can be controlled by a Management Board Member to a limited extent only.

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

1. financial objectives weigh 30%–50% (depending on the impact of individual Management Board Members on these objectives),
2. qualitative objectives weigh 50–70% (depending on the responsibility of individual Management Board Members).

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 the stability of the Bank and the Group.

The main financial goal of the Management Board is to build long-term value of the Bank and ensure that mBank remains one of the top banks in Poland. The efforts are aimed at accomplishing strategic financial objectives in terms of:

1. profitability: return on equity (ROE), net interest margin (NIM),
2. efficiency: cost/income ratio (C/I),
3. stability: e.g. Tier 1 capital ratio, risk costs (LLP, FV),
4. growth (total revenue, loans, deposits),
5. proactive management of the CHF loan portfolio,
6. ensuring rewarding returns for shareholders, meaning returns that will be attractive as compared to other players on the Polish market.

To foster the Bank's growth in 2023, the Management Board Members also pursued non-financial objectives. Similarly to the previous year, they focused on:

1. maintaining the Bank's technological advantage in the financial sector,
2. systematic development of the mobile app (mobile app as the main channel of interactions with clients),
3. developing a multi-layer cybersecurity protection model and ensuring data confidentiality, guaranteeing the highest security level of the mobile app,
4. education about online security,
5. thorough and precise understanding of clients' needs throughout the lifetime,
6. supporting the promotion of culture,
7. identifying and developing employees' skills and turning them into the Bank's competitive advantage – an mBank employee should be tech-savvy and a role model for others,
8. building a corporate culture based on ESG values.

In its activities, the Management Board was guided by ESG values. Following the principle of sustainable development, it pursued tasks centered on clients, the environment, employees and society as a whole.

Taking into account the objective achievement status and efficiency of the Management Board's actions, the Supervisory Board awards individual Management Board Members variable remuneration.

The Bonus for 2023 will be awarded in 2024 and paid in the following years pursuant to the rules specified in the RT Remuneration Policy.

The determination and payment of every tranche of the cash and non-cash 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 and Nomination Committee, may decide to withhold in whole or reduce the amount of the cash or and non-cash deferred tranche if it concludes that in a time horizon longer than one calendar year (i.e. a period of at least three years), a Management Board Member had a direct and negative impact on the financial result or market position of mBank Group in the period under assessment, or directly caused significant financial losses or the imposition of financial sanctions on the Bank by supervisory authorities, 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.

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 2023, the Remuneration and Nomination Committee 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

in PLN

Year-on-year change	Seniority in the Management Board	2018	2019	2020	2021	2022	2023
Remuneration of the Management Board Members							
Cezary Stypułkowski , President of the Management Board	01.10.2010-31.12.2023	6,301,658	5,426,330	5,682,772	5,147,358	4,872,157	6,075,075
year-on-year change			-13.89%	4.73%	-9.42%	-5.35%	24.69%
Adam Pers , Vice-President of the Management Board, Head of Corporate and Investment Banking	26.10.2017-31.12.2023	2,235,895	2,212,630	2,476,493	2,320,565	2,292,811	2,969,614
year-on-year change			-1.04%	11.93%	-6.30%	-1.20%	29.52%
Cezary Kocik , Vice-President of the Management Board, Head of Retail Banking	01.04.2012-31.12.2023	3,529,150	2,934,929	2,992,420	2,618,045	2,420,295	3,108,348
year-on-year change			-16.84%	1.96%	-12.51%	-7.55%	28.43%
Krzysztof Dąbrowski , Vice-President of the Management Board, Head of Operations and IT	01.04.2017-31.12.2023	2,583,746	2,293,683	2,549,697	2,397,438	2,309,668	2,989,682
year-on-year change			-11.23%	11.16%	-5.97%	-3.66%	29.44%
Marek Lusztyn , Vice-President of the Management Board, Chief Risk Officer	22.10.2020-31.12.2023	n/a	n/a	321,708	1,886,337	1,938,943	2,694,239
year-on-year change						2.79%	38.95%
Pascal Ruhland , Vice-President of the Management Board, Chief Financial Officer	01.05.2023-31.12.2023	n/a	n/a	n/a	n/a	n/a	1,666,298
year-on-year change							
Julia Nusser , Vice-President of the Management Board, Chief People & Regulatory Officer	01.05.2023-31.12.2023	n/a	n/a	n/a	n/a	n/a	1,667,615
year-on-year change							
Andreas Böger , Vice-President of the Management Board, Chief Financial Officer	01.07.2017-30.04.2023	2,037,639	2,424,969	2,559,785	2,454,824	2,433,099	1,634,848
year-on-year change			19.01%	5.56%	-4.10%	-0.89%	
Frank Bock , Vice-President of the Management Board, Head of Financial Markets	01.05.2017-31.12.2020	2,163,773	2,519,098	2,557,348	1,280,332	408,000	102,000
year-on-year change			16.42%	1.52%			
Lidia Jabłonowska-Luba , Vice-President of the Management Board, Chief Risk Officer	12.04.2013-22.10.2020	3,002,087	2,736,781	2,377,002	1,920,835	349,710	114,000
year-on-year change			-8.84%				

Remuneration paid to the Management Board Members and former Management Board Members in individual years, regardless of when they performed their function. A percentage figure is provided for a given person only when they were employed throughout the whole period in the two years subject to comparison.

Average remuneration per FTE	2018	2019	2020	2021	2022	2023
Employees of the Company	125,309	129,337	132,230	131,824	149,568	167,832
year-on-year change		3.21%	2.24%	-0.31%	13.46%	12.21%

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.

data in PLN million

Results of the Company	2018	2019	2020	2021	2022	2023
Pre-tax profit/loss of mBank Group	1,787	1,555	610	-591	-108	971
change in PLN million		-232	-945	-1,201	483	1,079
change in %		-12.98%	-60.77%	-196.89%	81.73%	999.07%
Net profit/loss of mBank Group	1,303	1,010	104	-1,179	-703	24
change in PLN million		-293	-906	-1,283	476	727
change in %		-22.49%	-89.70%	-1,233.65%	40.37%	103.41%
Cost/Income ratio of mBank Group	42.60%	42.20%	41.10%	40.20%	42.30%	28.46%
Common Equity Tier 1 capital ratio of mBank Group	17.47%	16.51%	16.99%	14.16%	13.81%	14.69%

In 2023, mBank Group generated a profit before income tax of PLN 970.6 million compared with a loss of PLN 108.0 million sustained in 2022. Throughout 2023, the operational performance of mBank Group continued to be solid. The gross result was negatively impacted by further legal risk costs connected with foreign currency mortgage loans, which stood at PLN 4,908.2 million in 2023 (PLN 3,112.3 million in 2022). As a result, the provisions now cover 99.5% of the CHF loan portfolio, offering the Bank effective protection against legal risk.

Net profit attributable to the owners of mBank amounted to PLN 24.1 million as compared with a loss of PLN 702.7 million incurred a year before. In 2023, mBank Group successfully continued to implement measures aimed at improving efficiency measured by the Cost/Income ratio.

5. The amount of remuneration from members of the same capital group within the meaning of the Accounting Act of September 29, 1994.

In 2023, 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 2023, the Management Board Members acquired rights to non-cash tranches in subscription warrants convertible into shares under the rules stipulated in the programme running since 2018. The part granted in warrants amounts to 50% of variable remuneration, and is paid out in tranches.

Warrants being a bonus for a given year are paid out in six tranches. The first tranche is acquired 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 warrants-based programme, in 2023 the Bank paid out the fourth tranche of the bonus for 2018, the third tranche of the bonus for 2019, the second tranche of the bonus for 2020 and the first tranche of the bonus for 2021.

Warrants are offered to eligible persons on the maturity date of a given tranche. Warrants are acquired by the Management Board Members in a given calendar year exclusively in

warrants acquisition periods set by a resolution of the Supervisory Board. Warrants are acquired free of charge. The rights to acquire shares arising from warrants are exercised at the issue price (PLN 4 per share).

Table 5: Information on the number of financial instruments to be acquired and already acquired by the Management Board Members in 2023.

First name and surname/ Function	Bonus for	Date of granting	price per share used to calculate the number of instruments	Existing at the beginning of 2023	Offered in 2023	Exercised in 2023	Existing at the end of 2023
				number of warrants	number of warrants	number of warrants	number of warrants
Cezary Stypułkowski President of the Management Board	2018	26.02.2019	436.15	825	275	275	550
	2019	28.02.2020	366.86	1,439	360	360	1,079
	2020	23.11.2021	198.12	3,029	606	606	2,423
	2021	02.03.2022	450.34	4,442	1,777	1,777	2,665
	2022	02.03.2023	313.1	3,386	-	-	3,386
Adam Pers Vice-President of the Management Board, Head of Corporate and Investment Banking	2018	26.02.2019	436.15	412	138	138	274
	2019	28.02.2020	366.86	784	196	196	588
	2020	23.11.2021	198.12	1,544	309	309	1,235
	2021	02.03.2022	450.34	2,221	889	889	1,332
	2022	02.03.2023	313.1	1,789	-	-	1,789
Cezary Kocik Vice-President of the Management Board, Head of Retail Banking	2018	26.02.2019	436.15	495	165	165	330
	2019	28.02.2020	366.86	784	196	196	588
	2020	23.11.2021	198.12	1,544	309	309	1,235
	2021	02.03.2022	450.34	2,221	889	889	1,332
	2022	02.03.2023	313.1	1,789	-	-	1,789
Marek Lusztyn Vice-President of the Management Board, Chief Risk Officer	2020	23.11.2021	198.12	454	91	91	363
	2021	02.03.2022	450.34	2,221	889	889	1,332
	2022	02.03.2023	313.1	1,565	-	-	1,565
Krzysztof Dąbrowski Vice-President of the Management Board, Head of Operations and Information Technology	2018	26.02.2019	436.15	412	138	138	274
	2019	28.02.2020	366.86	720	180	180	540
	2020	23.11.2021	198.12	1,544	309	309	1,235
	2021	02.03.2022	450.34	2,221	889	889	1,332
	2022	02.03.2023	313.1	1,789	-	-	1,789
Andreas Böger Vice-President of the Management Board, Chief Financial Officer	2018	26.02.2019	436.15	412	138	138	274
	2019	28.02.2020	366.86	720	180	180	540
	2020	23.11.2021	198.12	1,544	309	309	1,235
	2021	02.03.2022	450.34	2,221	889	889	1,332
	2022	02.03.2023	313.1	1,789	-	-	1,789
Frank Bock Vice-President of the Management Board, Head of Financial Markets	2018	26.02.2019	436.15	288	96	96	192
	2019	28.02.2020	366.86	653	164	164	489
	2020	23.11.2021	198.12	1,544	309	309	1,235
Lidia Jabłonowska-Luba Vice-President of the Management Board, Chief Risk Officer	2018	26.02.2019	436.15	371	124	124	247
	2019	28.02.2020	366.86	653	164	164	489
	2020	23.11.2021	198.12	908	182	182	726

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 2023, 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 2023, there were no departures from the Remuneration Policy or the procedure of implementing the Remuneration Policy.

V. 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 the RT Remuneration Policy constitute a remuneration management tool. They foster the development and security of the Bank's operations and effective risk management in mBank Group, and help avoid excessive exposure to risk. Moreover, they support the implementation of the Bank management strategy and bring the long-term well-being of the Bank and its clients into focus.
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.
