

Additional information for mBank S.A. shareholders concerning draft Resolutions of the 31st Ordinary General Meeting of Shareholders of mBank S.A. implementing an incentive scheme and defining the terms and conditions of the incentive scheme, approving an issue of subscription warrants, a conditional increase of the share capital to the exclusion of the shareholders' subscription rights to the subscription warrants and shares, amending the Company's By-laws, and approving the application for the admission of shares to trading on the regulated market and the dematerialisation of the shares:

The adoption of the Resolutions by the 31st Ordinary General Meeting of Shareholders of mBank S.A. derives from the need to meet the requirements defined in national legislation and European Union law (compliance with the *EBA 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 27 June 2016*) concerning the terms of granting and paying variable remuneration to the bank's risk-takers. The new Incentive Scheme replaces the two existing schemes currently in operation: the employee scheme of 27 October 2008, which lays down the terms and conditions of the Company's employee scheme, as amended, and the mBank S.A. incentive scheme for Management Board Members of 14 March 2008.

The concurrent operation of the new Scheme and the existing solutions results exclusively from the deferral of tranches of bonuses granted in shares, due for previous years under the existing incentive schemes. The schemes will operate fully independently, covering entitlements vested in different periods of time.

The implementation of the new Scheme generates no risk that large blocks of mBank S.A. shares could be introduced to trading at the same time, as demonstrated by the actual numbers of shares issued under the existing schemes (306,955 shares including shares issued and outstanding to date and future commitments under the existing schemes).

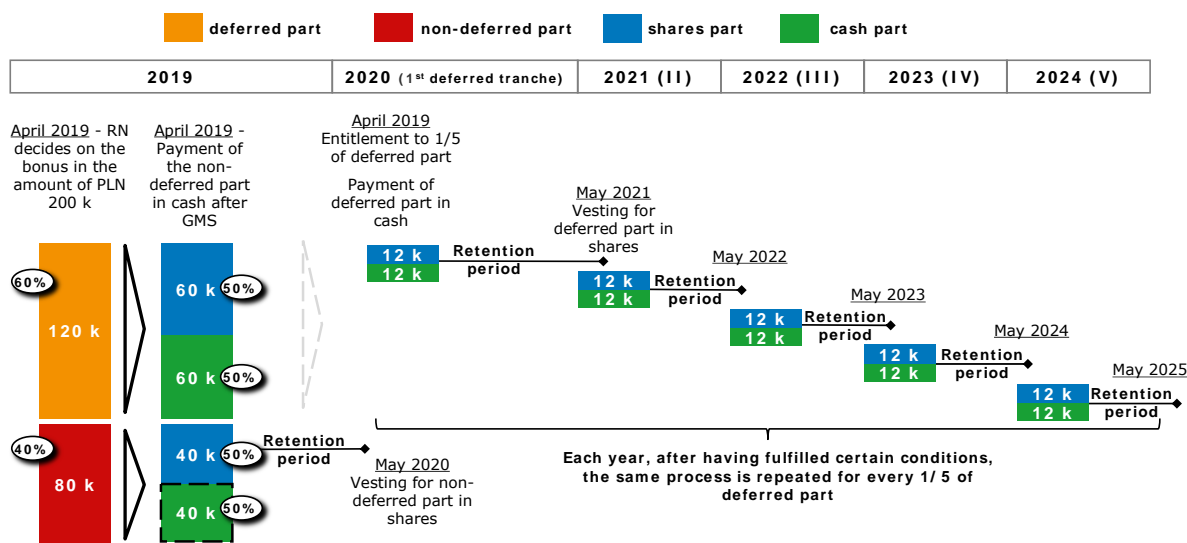
Variable remuneration in shares under the new scheme will be calculated as follows:

1. The Supervisory Board determines the amount of the bonus for the company's managers or the Management Board determines the amount of the bonus for the company's employees. The amount is then split into a deferred part and a non-deferred part (60% and 40% for the company's managers, and 40% and 60% for the others, respectively) and into a cash and a share part (50% each).
2. The share part is calculated as follows:
 - a. The actuary provides the average price of mBank S.A. shares in the period of 30 days prior to the decision determining the bonus amount (closing price of mBank shares on the Warsaw Stock Exchange (GPW) on each GPW trading day in the period of 30 days), which is reduced by PLN 4 (unit value of subscription warrants).
 - b. 50% of the bonus amount is divided by the share price.
 - c. This gives the number of shares, which will be fixed.
 - d. The fixed number of shares is divided into the deferred part (5 years for mBank managers, 3 years for the others) and the non-deferred part.

The risk-takers take up the shares by paying PLN 4 per share. Shares due in a given year (including both the deferred and the non-deferred part) may be taken up not earlier than 12 months after the bonus is granted → 12-month close-out period. The figure below shows an example of a five-year process for bonuses granted to managers (three years for risk-takers other than the mBank S.A. Management Board, the process follows the same terms and conditions).

Rules for granting and pay Bonus to Risk Takers I

Process of granting and deferring a Bonus - example of process



Number of persons eligible under the new scheme:

1. According to the Bank's Risk-Taker Remuneration Policy approved by the mBank S.A. Supervisory Board, the risk-takers (including (I) mBank Management Board Members, and (II) Management Board Members of mBank Group companies and selected employees of mBank) receive a variable remuneration which may include a non-cash part, i.e., rights to mBank S.A. shares.
2. According to the terms of the new scheme, shares will be granted only for such purpose and only to risk-takers.
3. The total number of eligible persons is not more than 149 – private placement.
4. The mBank Group has identified 85 risk-takers. The risk-takers are selected according to the Risk-Taker Identification Policy approved by the mBank Supervisory Board in accordance with Polish and EU law.¹

Terms and conditions of calculation of the variable remuneration / bonus (50% in shares):

Most of the bonuses granted to the risk-takers are linked to the results of mBank Group measured by Economic Profit (*Profit before tax–Capital*Cost of capital*). Economic Profit is determined for the last three years (N=last calendar year):

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

¹ EBA (European Banking Authority) Guidelines on sound remuneration policies EBA/GL/2015/22 of 27 June 2016, Article 83; Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (Regulation); Regulation of the Minister of Economic Development and Finance of 6 March 2017 concerning the risk management system and the internal control system, the remuneration policy and the detailed method of estimating internal capital of banks (Journal of Laws of 24 March 2017, item 637).

Economic Profit determines the available bonus pool from which the Supervisory Board grants bonuses to the company's managers and the Management Board grants bonuses to employees taking into account individual employee appraisal (based on the score in the internal appraisal system). The bonus pool is calculated automatically but the individual bonuses are not. Importantly, according to the applicable terms and conditions of remuneration, a bonus cannot be greater than the risk-taker's annual base salary.

Terms and conditions of granting the deferred part of the bonus to mBank S.A. managers (Risk-Takers I):

The Deferred Part is paid in 5 equal tranches in 5 consecutive years unless:

1. at least one of the conditions listed in the Score Card (see the template below) is not met, i.e., at least one of the questions gets a positive response "YES", in particular:
 - a. The Supervisory Board finds that Risk Taker I has had a direct and adverse impact on the financial result and market position of mBank Group through his actions or failure to act in the long term (at least three years);
 - b. The Supervisory Board finds that Risk Taker I, through his actions or failure to act:
 - i. has violated rules and standards applicable at mBank Group or materially violated generally applicable laws; or
 - ii. has directly contributed to significant financial losses being the consequence of his deliberate adverse actions to the detriment of mBank Group or contributed to financial sanctions being imposed on the Bank by supervisory bodies under a legally valid decision;
 - c. Any of the events specified in Article 142 (2) of the Banking Law Act has occurred:
 - i. actual or potential balance-sheet loss;
 - ii. potential insolvency or illiquidity;
 - iii. deteriorating liquidity and solvency;
 - iv. increasing leverage;
 - v. increasing number of substandard loans or advances;
 - vi. increasing exposure risk;
2. Risk Taker I resigns his functions on the Bank's Management Board.

Irrespective of the foregoing, all deferred tranches which have not yet been paid will not be paid in the event of any of the following:

- a. Risk Taker I is not appointed to the Bank's Management Board of the next term of office because of his refusal to stand for election;
- b. Risk Taker I is not appointed to the Bank's Management Board of the next term of office or is relieved of his function during the term of office due to any of the following events:
 - i. being charged with a serious offence or a crime;
 - ii. having lost the authorisations or qualifications required under the law, in particular under the Banking Law, to perform the functions of a Management Board Member of a bank;
 - iii. being accused of acting to the detriment of the Bank or mBank Group;
 - iv. breach of the non-compete clause;
 - v. other serious breach of the Management Contract, in particular disclosure of inside information.

Terms and conditions of granting the deferred part of the bonus to managers of mBank Group companies and employees of mBank S.A. (Risk-Takers II):

The Deferred Part is paid in 3 equal tranches in 3 consecutive years unless:

1. at least one of the conditions listed in the Score Card (see the template below) is not met, i.e., at least one of the questions gets a positive response "YES", in particular:

- a. The Management Board/Supervisory Board of the company finds that Risk Taker II has had a direct and adverse impact on the financial result and market position of the Bank or mBank Group through his actions or failure to act in the long term (at least three years), taking into account the business cycle of the Bank and the risk of the Bank's business;
 - b. The Supervisory Board finds that Risk Taker II, through his actions or failure to act:
 - i. has violated rules and standards applicable at mBank Group or materially violated generally applicable laws; or
 - ii. has directly contributed to significant financial losses being the consequence of his deliberate adverse actions to the detriment of mBank Group or contributed to financial sanctions being imposed on the Bank by supervisory bodies under a legally valid decision;
 - c. Any of the events specified in Article 142 (2) of the Banking Law Act has occurred.
2. Risk Taker II fails to meet the condition of being employed by the Bank or the mBank Group with the exception of any of the following events:
- a. retirement of the Risk Taker II – Bank Employee;
 - b. death of the Risk Taker II – Bank Employee;
 - c. termination of the employment agreement of the Risk Taker II – Bank Employee with the exception of termination of the employment contract:
 - i. without notice due to the employee's fault (Article 52 of the Labour Code);
 - ii. with a notice given by the employee (Article 30 (1) (2) of the Labour Code);
 - iii. by agreement of the parties on the employee's initiative (Article 30 (1) (1) of the Labour Code).

Score Card template:

Template of the Risk takers scorecard

SCORECARD for ... (ID, surname, name)	No	Yes	If „Yes” explanation required
1. Has any of the events specified in Article 142 (2) of the Banking Law Act occurred?	<input type="radio"/>	<input type="radio"/>	
2. Does the Risk Taker fail to meet the standards regarding the required skills and reputation?	<input type="radio"/>	<input type="radio"/>	
3. Has the Risk Taker provided incomplete, incorrect or misleading information concerning risk/performance management?	<input type="radio"/>	<input type="radio"/>	
4. Has the Risk Taker violated regulations/guidelines on risk/performance management?	<input type="radio"/>	<input type="radio"/>	
5. Has the Risk Taker violated other rules and standards applicable at mBank Group or has the Risk Taker materially violated generally applicable laws?	<input type="radio"/>	<input type="radio"/>	
6. Has the Risk Taker had a direct and adverse impact on the financial result and market position of mBank Group through his actions or failure to act?	<input type="radio"/>	<input type="radio"/>	
7. Has the Risk Taker, through his actions or failure to act, directly contributed to significant financial losses being the consequence of his deliberate adverse actions to the detriment of mBank Group or has the Risk Taker contributed to financial sanctions being imposed on the Bank by supervisory bodies?	<input type="radio"/>	<input type="radio"/>	
8. Is the result of assessment of the Risk Taker's performance in a given period inappropriate taking into account his remuneration?	<input type="radio"/>	<input type="radio"/>	

