



Statement of mBank S.A. on application of  
Corporate Governance principles  
in 2016

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### **1. Application of corporate governance principles**

In 2016 mBank was subject to corporate governance principles contained in the following documents:

1. "Code of Best Practice for WSE Listed Companies 2016";
2. "Principles of Corporate Governance for Supervised Institutions".

The text of the "Best Practice of WSE Listed Companies" is available on the website of the Warsaw Stock Exchange (<http://www.corp-gov.gpw.pl/>), and the "Principles of Corporate Governance for Supervised Institutions" are available on the website of the Polish Financial Supervision Authority (<http://www.knf.gov.pl/regulacje/praktyka/index.html>).

#### **Code of Best Practice for WSE Listed Companies 2016**

The "Code of Best Practice for WSE Listed Companies 2016" was adopted in a resolution of the Stock Exchange Board on October 13, 2015 and entered into force on January 1, 2016. The "comply or explain" rule applies to the detailed rules of Best Practice. Constant non-application of a given principle or its incidental non-application are subject to obligatory reporting by the company in a manner specified in Article 29 (3) of the Stock Exchange Rules.

From among the detailed rules of the "Code of Best Practice for WSE Listed Companies 2016", mBank does not apply two rules:

- The rule II.Z.8. which reads "The chairman of the audit committee meets the independence criteria specified in Rule II.Z.4." Stephan Engels, Member of the Board of Commerzbank AG (CFO) is the Chairman of the Audit Committee of the Supervisory Board of mBank S.A. Therefore, Stephan Engels does not meet the criterion of independence referred to in rule II.Z.4.; however, this does not have an impact on the manner and credibility of tasks performed by the Committee.
- The rule VI.Z.2. which reads "In order to link the remuneration of Members of the Management Board and key managers with the company's long-term business and financial objectives, the period between granting options or other instruments connected with company shares as part of the incentive programme and the possibility of executing them should be at least 2 years." The principles for granting variable components of remuneration at mBank S.A. are compliant with Resolution No. 258/2011 of the Polish Financial Supervision Authority (PFSA) of October 4, 2011 drafted in response to EU Directive CRD III and CEBS guidelines (Committee of European Banking Supervisors; at present, EBA – European Banking Authority) and consistent with EU Directive CRD IV, the provisions of which do not provide for

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the indication specified in item VI.Z.2. of the Code of Best Practice for WSE Listed Companies 2016 as a condition for awarding the bonus.

Moreover, from among all recommendations specified in the "Code of Best Practice for WSE Listed Companies 2016", mBank does not apply the following recommendations:

- items 2 and 3 of recommendation IV.R.2, which refer to conducting a General Meeting with the use of means of electronic communication. Item 2 concerns ensuring two-way communication in real time during the General Meeting, which allows shareholders to speak from a different location, whereas item 3 is related to exercising the voting right in person or by proxy during the General Meeting. For many years, mBank has broadcast General Meetings in real time, however, without the possibility to engage in two-way online communication by allowing shareholders to speak during the General Meeting from a different location. The Bank's By-laws and the Standing Rules of the General Meeting do not provide for the possibility to actively participate in General Meetings with the use of means of electronic communication. Moreover, in the opinion of the Management Board of the Bank, the organisation of General Meetings with the use of means of electronic communication involves additional legal, organisational and technical risks. It should be noted that mBank has a stable majority shareholder, while a large part of minority shareholders are represented at each General Meeting even if participation in General Meetings with the use of means of electronic communication is not available.
- recommendation VI.R.3. concerning the remuneration committee. The recommendation stipulates, among others, that it is required that at least the majority of the committee members be independent. At mBank, the Remuneration Committee of the Supervisory Board is composed of four members, including two independent members. Two members do not meet the criterion of independence, as they are linked to the strategic shareholder of mBank – Commerzbank.

#### **"Principles of Corporate Governance for Supervised Institutions"**

The "Principles of Corporate Governance for Supervised Institutions" approved by the PFSA on July 22, 2014 have been in effect since January 1, 2015. They cover relations with shareholders and clients, issues relating to the organisational structure, an effective and efficient internal control system, as well as the risks of business activities.

mBank has adopted the "Principles of Corporate Governance for Supervised Institutions" excluding the rules defined in Article 8 (4) and Article 16 (1).

The rule in Article 8 (4), which provides as follows: "A supervised institution, when justified by the number of shareholders, should strive for facilitating the participation of all shareholders in the meeting of the General Meeting of the supervised institution, among others, through ensuring the possibility of electronic active participation in the meetings of the General Meeting", is similar to recommendation IV.R.2 of the "Code of Best Practice for WSE Listed Companies 2016". As a large part of mBank's shareholders are represented at General Meetings and with a view to mitigating the risk inherent in active participation in General Meetings with the use of means of electronic communication, mBank has decided that non-compliance with the rule defined in Article 8 (4) was justified.

Likewise, mBank does not comply with the rule defined in Article 16 (1), which provides as follows: "It is proper that meetings of a management body shall be held in Polish. In case of need, necessary assistance of an interpreter should be ensured."

The non-compliance derives from the fact that all Members of mBank's Management Board speak fluent English. Communication without an interpreter is more effective as discussions and decisions can be made without the participation of a third party (interpreter). In some circumstances, the participation of an interpreter could make discussions at Management Board meetings more difficult or prolonged due to the complex nature of issues under discussion as well as the specialised language. Furthermore, given that Management Board meetings review information that constitutes the company's secret, it is legitimate to limit to the bare minimum the participation of non-members of the Management Board in its meetings. At the same time, most of mBank's Management Board Members speak Polish, which implies that the Bank can be represented whenever participation of Management Board Members is required including communication in Polish without an interpreter. Furthermore, minutes of Management Board meetings as well as resolutions of mBank's Management Board are prepared in two language versions, ensuring

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compliance with the provisions of Article 16 (2) of the "Principles of Corporate Governance for Supervised Institutions".

The stand of shareholders as regards the "Principles of Corporate Governance for Supervised Institutions" was presented in resolution no. 31 of the 28th Annual General Meeting of mBank S.A. of March 30, 2015.

In the above resolution, the shareholders undertook:

- to participate in the performance of the statutory objectives of mBank, ensuring security of its operations and following its interest,
- not to violate the competence of other statutory bodies of mBank,
- to immediately solve any potential conflicts between shareholders to prevent infringing the interest of mBank and its clients,
- not to make decisions resulting in transferring assets from mBank to other entities, and in acquisition or alienation of or in conclusion of other transactions leading to mBank disposing of its assets under conditions other than market conditions or posing a threat to the security or interest of mBank; the individual rights will be granted to the given shareholder or shareholders when justified on the grounds of achieving significant objectives of mBank and not causing hindrance to proper functioning of the bodies of mBank or discrimination against other shareholders and reflected in the By-Laws of mBank,
- to provide, if needed, additional capital or grant financial support to the Bank to the extent to which it is possible and compliant with authorisations, whereas it will only take place after the analysis of the entirety of reasons which led to such a necessity; the shareholders will take into consideration the possibility of providing support from the point of view of their financial situation, provisions of law and supervisory regulations the shareholders are bound to respect and considering the best interest of mBank and its clients,
- to make decisions with regard to dividend payment depending on the need for maintaining an appropriate level of equity and on the achievement of strategic objectives of mBank and to take into consideration general and individual recommendations issued by the supervisory authorities,
- to implement the recommendations of the PFSA regarding the election of Members of the Supervisory Board of the Bank.

### **Code of Banking Ethics**

Irrespective of the corporate governance principles, mBank has for many years complied with best banking industry practices developed by the Polish Bank Association (ZBP). The currently applicable version of the Code of Banking Ethics was approved at the 25<sup>th</sup> General Meeting of the Polish Bank Association held on April 18, 2013. The Code of Banking Ethics is a set of principles referring to banks, their employees and persons acting as intermediaries in banking activities. The Code of Banking Ethics includes two parts: Code of Best Banking Practice and Code of Employee Ethics. The Code of Banking Ethics is available on the website of the Polish Bank Association (<http://zbp.pl/dla-bankow/zespoly-rady-i-komitety/dzialania-w-obszarze-legislacyjno-prawnym/komisja-etyki-bankowej>).

### **The model of values and behaviours of mBank employees and the Rules on conduct towards business partners**

It is also worth mentioning that mBank has defined behaviours which are most important from the perspective of the organisation and which facilitate achieving individual and team results as well as contributing to customer satisfaction. The model of values and behaviours applicable at the Bank, which sets mBank's work standard, is based on the following organisational values: "client-centricity", "looking ahead", "simplifying", "commitment" and "professionalism". The model specifies ways of acting and attitudes underlying the above slogans and stipulates how employees of mBank Group should behave when interacting with each other and with clients.

Moreover, the Bank's employees apply the "Code of Conduct", which establishes the standards applicable in interactions between the Bank's employees and the Bank's business partners. This is meant to contribute to mutual trust. The guidelines related to behaviour include, among others, being guided by mBank's values, creating a sustainable corporate culture, corporate social responsibility, pursuing a responsible credit policy, treating relationships with clients in a responsible way, honesty in business relationships,

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applying established standards in relationships with clients and in internal relationships, avoiding conflicts of interest, responsible use of social media and simplifying communication.

### **Information policy of mBank**

mBank pursues an open, transparent, and effective information policy. As regards its information policy, mBank complies with requirements arising from provisions related to information confidentiality and security, which the Bank must abide by as a public company and a supervised institution.

The main means applied by the Bank in its information policy include:

- current and periodic reports;
- meetings, tele- and video-conferences of representatives of the Management Board and the Investor Relations and Group Strategy Department with investors and analysts, both in Poland and abroad;
- quarterly presentations of financial results for investors and analysts provided directly and through interactive webcasts and teleconferences;
- ongoing contact by phone or e-mail with analysts and investors, including sending Newsletters on a monthly basis and, if necessary, other informational materials;
- participation of the representatives of the Bank in domestic and foreign investor conferences and road-shows in the selected European countries and in the United States of America;
- website of the company with a comprehensive investor relations section where information is published on, among others, the shareholders of mBank, the composition of the Management Board and Supervisory Board, General Meetings (including video recordings of the course of the General Meetings), ratings, the Euro Medium Term Note Programme, quotations of mBank's shares on the WSE, analysts' recommendations, the consensus on mBank Group's expected performance, the target share price, annual, periodical and current reports and presentations, including presentations with the results of the Group for analysts and equity investors as well as presentations for the investors in the Bank's debt securities, online version of the annual report allowing for interactive access to the audited financial data, investor's calendar, mBank Analyzer which is a convenient tool to make financial and business analyses of mBank Group in different dimensions. In the section dedicated to corporate governance and best practice, the following is included: by-laws and rules of the Bank's bodies, statements on the application of corporate governance principles, principles of remunerating the Management Board and the Supervisory Board, information on incentive programmes, rules for changing the entity entitled to audit financial statements, and information on the participation of men and women in statutory bodies of mBank.

Open communication with stakeholders during the General Meetings manifests, among others, in the following aspects:

- providing shareholders with answers and explanations by the members of the Bank's governing bodies,
- broadcasting the General Meeting,
- enabling media representatives to participate in the General Meeting.

### **2. Internal control and risk management systems with regard to the process of preparing financial statements of mBank**

mBank is equipped with an internal control system which supports Bank management by ensuring the efficiency and effectiveness of the Bank's operations, reliability of financial reporting, as well as compliance of the Bank's operation with the provisions of law and internal regulations.

The internal control system includes the following:

- functional control covering all organisational units and all processes;
- risk monitoring and risk control mechanisms;
- monitoring compliance of the Bank's operation with the provisions of law and internal regulations;
- internal audit.

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The adequacy and effectiveness of the internal control system is subject to independent assessment of the Internal Audit Department (DAW). The audit results are reported, among others, to the President of the Management Board, the Chief Risk Officer, and the Chairman of the Supervisory Board of the Bank. Moreover, the Integrated Risk and Capital Management Department (DKR) manages the process of integrated reporting on risk and capital of the Bank and mBank Group to the Bank's statutory bodies, the supervisors and financial market participants and for the purpose of consolidated supervision.

The process of preparing financial data for reporting is automated and based on the accounting data of the Bank. Preparation of data in source systems is subject to formalised operational and acceptance procedures. Creating a collection of accounting balances on the basis of the system of general ledgers of the Bank takes place within a process covering respective internal controls. Manual adjustments are subject to special controls.

The Bank continuously monitors changes in provisions and external regulations related to the preparation of financial statements and updates internal regulations on an ongoing basis as well as adjusts IT systems where necessary.

The process of monitoring the operational risk which occurs in the preparation of financial statements in the Bank includes mechanisms which effectively ensure the security of IT systems. mBank has in place a business continuity plan which covers also the IT systems used in the process of preparing financial statements.

Financial statements of mBank and the Group are prepared by the Financial Reporting Department. Consolidated financial statements are based on data submitted by Group subsidiaries. The Financial Reporting Department monitors the reporting packages prepared by the subsidiaries in terms of their correctness, completeness and coherence of data.

The responsibility for controlling the coherence and completeness of the Bank's accounting books and administering the model chart of accounts lies within the Accounting Department. Both Departments report to the Vice-President of the Management Board, Chief Financial Officer.

Financial statements are submitted to the Management Board of the Bank for verification. The Audit Committee of the Supervisory Board receives quarterly financial statements before they are published. After consultations with the Bank's external auditor and the Members of the Management Board of the Bank, the Audit Committee recommends whether the Supervisory Board should approve or reject annual financial statements.

The annual and semi-annual financial statements of mBank are respectively subject to an independent audit or review by a statutory auditor. The selection of the statutory auditor of the Bank requires a resolution of the General Meeting. The Audit Committee of the Supervisory Board issues an opinion on the selection of the statutory auditor. In the subsidiaries, supervisory boards decide on the selection of the statutory auditor.

mBank abides by the principle regarding the change of statutory auditors in line with the applicable provisions and recommendations issued by the PFSA in respect of the change of statutory auditors.

On March 24, 2016, the 29th Annual General Meeting of the Bank selected PricewaterhouseCoopers Sp. z o.o. as the auditor to review the Bank's financial statements and consolidated financial statements of mBank S.A. Group for the year 2016. The Bank has used the services of PricewaterhouseCoopers Sp. z o.o. as an auditor to review the financial statements of the Bank and consolidated financial statements of mBank S.A. Group with regards to financial statements for 2012 and for earlier years. However, in 2013-2015, Ernst & Young Audit Sp. z o.o. sp. k. was the entity authorised to audit the Bank's financial statements and consolidated financial statements of the Group.

The amount of fees paid to PricewaterhouseCoopers is presented in Note 47 to the Consolidated Financial Statement of mBank S.A. Group for 2016 under the International Financial Reporting Standards

The procedures of co-operation of mBank and the external auditor ensure that all the important issues related to the recognition of economic events in the books and financial statements are being consulted on an on-going basis.

The aspiration to ensure the highest standards of financial statements is reflected in the high quality of reporting. In "The Best Annual Report 2015" contest organised by the Accounting and Tax Institute (IRiP),

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the results of which were announced in October 2016, mBank won the title “The Best of the Best” for the best annual report in the category of financial institutions for the fourth time in a row and for the fifth time in its history. Additionally, IRiP awarded mBank the distinction for the best report on performance.

### **3. Significant blocks of shares**

Commerzbank AG is the majority shareholder of mBank.

As at December 31, 2016, Commerzbank held directly 29,352,897 shares of mBank, which accounted for 69.42% of the share capital and votes at the General Meeting.

30.58% of mBank shares in free float are held by institutional investors, in particular Polish pension funds and Polish and foreign investment funds as well as individual investors. Nationale-Nederlanden Otwarty Fundusz Emerytalny exceeded the 5% threshold of shares and votes at the General Meeting.

Pursuant to the By-laws of mBank, each share gives the right to one vote at the General Meeting. There are no preferred shares. The control rights of Commerzbank AG as the parent entity of mBank are a result of the number of shares held, their percentage share in the equity, and the number of votes at the General Meeting of mBank.

The By-laws of mBank do not impose any limitations on the exercise of the voting right. There are no provisions which would separate the equity rights attached to securities from the holding of securities. Furthermore, there are no limitations on the transfer of the property right to securities issued by the Bank.

#### **Information on the majority shareholder**

The strategic shareholder of mBank, Commerzbank AG, is a leading German bank with a history dating back to 1870. It provides services to private and corporate customers.

The German government, currently the largest shareholder of Commerzbank, holds a stake of above 15% in the share capital through Germany’s Financial Market Stabilisation Fund (SoFFin). The largest institutional investors are BlackRock and Capital Group – each of them holds slightly less than 5% of the bank’s shares. The remaining institutional investors hold about 45% of shares in free float.

Commerzbank holds branches and offices in nearly 50 countries. The main markets for the bank are Germany and Poland. With approximately 1,000 branches, Commerzbank has one of the most extensive branch networks among German private banks. In total, Commerzbank serves more than 17.5 million private and small business customers, as well as more than 60,000 corporate clients, multinational companies, financial service providers, and institutional clients. Commerzbank finances more than 30% of Germany’s foreign trade and is the unchallenged leader in SME financing. Commerzbank Group is composed of two business segments: Private and Small Business Customers, as well as Corporate Clients.

In 2016, Commerzbank generated gross revenues of EUR 9.4 billion with ca. 49.9 thousand employees. As at December 31, 2016, Commerzbank Group held assets of EUR 480 billion.

### **4. Principles of appointing and dismissing Management Board Members**

Pursuant to the By-laws of mBank, the Management Board is composed of at least three Members appointed for a joint term of five years. At least half of the Members of the Management Board, including the President of the Management Board, have to hold Polish citizenship, be habitually resident in Poland, speak Polish, and have experience on the Polish market which can be used while managing the Bank.

The President of the Management Board, the Vice-Presidents of the Management Board and other Members of the Management Board are appointed and dismissed by the Supervisory Board, which acts pursuant to the provisions of the Banking Law and considers whether they have the relevant qualifications for the assigned functions. The Polish Financial Supervision Authority (PFSA) approves two Members of the Management Board of the Bank: the President of the Management Board and the Chief Risk Officer (Board Member responsible for developing and implementing the Bank’s credit policy and risk management).

In accordance with the Code of Commercial Partnerships and Companies, a Member of the Management Board may also be dismissed or suspended by the General Meeting.

The mandate of a Member of the Management Board expires at the latest on the day of the General Meeting that approves the financial statements for the last full financial year of the term of that Management Board Member. The mandate of a Member of the Management Board also expires if the Member dies, resigns

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from his or her position, or is dismissed. The mandate of a Member of the Management Board appointed before the end of the term expires on the expiration date of mandates of the other Members of the Management Board.

## **5. Amendments to the Company's By-Laws**

Amendments to the By-Laws of mBank require adoption of a resolution by the General Meeting of mBank and registration of the adopted amendment in the National Court Register. Before the General Meeting of mBank is presented with a draft resolution concerning amendment to the By-Laws, the Management Board of mBank adopts a resolution on the proposed amendment by approving the draft resolution of the General Meeting. The draft is then presented to the Supervisory Board of mBank for approval.

In accordance with Article 34 (2) of the Banking Law Act of August 29, 1997, an amendment to the Bank's By-laws requires the authorisation of the Polish Financial Supervision Authority if such amendment relates to:

- the Bank's registered business name;
- the Bank's registered office, objects and scope of the Bank's operation;
- the bodies and their powers, including particularly the powers of the Members of the Management Board appointed with the approval of the Polish Financial Supervision Authority and the decision-making principles, the general organisational structure of the Bank, the procedures applicable to making legally binding statements regarding property rights and obligations, the procedures for issuing internal regulations and the procedure for making decisions on assuming obligations or disposing of assets whose total value with regard to a single entity exceeds 5% of the Bank's own funds;
- the principles of functioning of the internal control system;
- the own funds and the financial management principles;
- shares preferred or limited as to voting rights.

## **6. General Meeting and shareholder rights**

### **General Meeting procedures and powers**

The General Meeting is convened pursuant to the provisions of the Code of Commercial Partnerships and Companies, the Bank's By-laws, and the Standing Rules of the General Meeting. Both the By-laws and the Standing Rules of the General Meeting are available on the website of mBank (<https://www.mbank.pl/o-nas/lad-korporacyjny/>).

The General Meeting convened by the Management Board under the ordinary procedure is held once a year, no later than in June. The Supervisory Board may convene an Annual General Meeting if the Management Board fails to convene it within the time limit set out in the By-laws and an Extraordinary General Meeting, if the Supervisory Board considers it necessary. In addition, under specific circumstances, the shareholders have the right to convene a General Meeting or to request for a General Meeting to be convened.

The shareholders may participate in the General Meeting and cast their votes either in person or by proxies. One proxy may represent more than one shareholder.

Subject to the cases defined in the Code of Commercial Partnerships and Companies, the General Meeting is valid regardless of the number of shares represented at the General Meeting.

All matters submitted to the General Meeting are previously submitted to the Supervisory Board for consideration.

Subject to specific exceptions, resolutions of the General Meeting are passed in an open ballot by a simple majority of votes, unless the Code of Commercial Partnerships and Companies or mBank's By-laws impose a stricter requirement for the passing of resolutions on specific issues. A secret ballot is required in the case of elections and motions to dismiss members of the Bank's authorities or liquidators, motions to call members of the Bank's authorities or liquidators to account, and motions concerning personal issues. In addition, a secret ballot is required if requested by at least one shareholder present or represented at the General Meeting.

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Voting takes place with the use of a computer system, which also counts the votes. The By-laws and Standing Rules of the General Meeting do not provide for the possibility to vote by mail or with the use of electronic means of communication.

The following matters require a resolution of the General Meeting (in addition to other matters set out in the Code of Commercial Partnerships and Companies):

- examination and approval of the report of the Management Board on the Bank's operation and financial statements for the past financial year;
- adoption of resolutions on the distribution of profits or coverage of losses;
- vote of discharge of duties for members of the Bank's authorities;
- election and dismissal of Members of the Supervisory Board;
- amendment to the By-laws;
- increase or reduction of the Bank's share capital;
- adoption of resolutions concerning the redemption of shares, which set the rules of acquiring shares by the Bank, in particular the amounts allotted to purchasing shares for redemption and funding sources, and in particular setting the policy of share redemption not regulated in the By-laws;
- creation and winding up of special purpose funds;
- issue of convertible bonds or preferred bonds;
- establishment of the principles of remunerating the Members of the Supervisory Board;
- liquidation of the Bank or its merger with another bank;
- appointment of liquidators;
- matters submitted by the Supervisory Board;
- matters submitted by the shareholders in accordance with the By-laws;
- election of the entity authorised to audit financial statements as a statutory auditor of the Bank.

The General Meetings of mBank take place in the Bank's headquarters in Warsaw and are broadcast on-line. The General Meetings may be attended by the representatives of the media.

### **Shareholder rights**

The shareholders have the right to participate in the profit reported in the audited financial statements and allocated by the General Meeting to be paid to the shareholders.

The shareholders representing at least one-half of the share capital or at least one-half of the total number of votes in the Company may convene an Extraordinary General Meeting. The shareholders appoint the chairperson of such a meeting. The shareholder(s) representing at least one-twentieth of the share capital may request that the Management Board convene an Extraordinary General Meeting and that specific items be put on the agenda for such a meeting.

Only persons who are shareholders of the Bank sixteen days before the date of the General Meeting have the right to participate in the General Meeting of the Bank. The shareholder(s) of the Bank representing at least one-twentieth of the share capital may request that specific items be put on the agenda for the Annual General Meeting. The request should be submitted to the Management Board of the Bank no later than twenty-one days prior to the date of the Annual General Meeting.

The shareholders may participate in the General Meeting and cast their votes either in person or by proxies.

A shareholder has the right to:

- vote, propose motions and raise objections;
- justify his or her position briefly;
- stand for the election of the Chairperson of the General Meeting and propose a candidate for the Chairperson of the General Meeting to be noted in the minutes;

- take the floor during the proceedings and make a reply;
- table draft resolutions concerning the items put on the agenda;
- propose amendments and additions to draft resolutions being on the agenda for the General Meeting before the discussion on the item covering the draft resolution concerned by the proposal is closed;
- propose formal motions relating to the proceedings and the voting procedure;
- propose candidates for the Bank's Supervisory Board in writing to the Chairperson of the General Meeting or orally to the minutes;
- review the book of minutes and request copies of resolutions authenticated by the Management Board;
- take legal action to have a resolution of the General Meeting annulled where the shareholder voted against a resolution of the General Meeting and after its adoption raised an objection to the minutes or the shareholder was unreasonably prevented from participating in the General Meeting or the shareholder was not present at the General Meeting as a result of it being convened incorrectly or the adopted resolution not being on the agenda;
- take legal action against the Company to have a resolution of the General Meeting annulled where the resolution is in breach of law.

The Management Board is obliged to provide the shareholder, at the shareholder's request, with information concerning the Company if this is justified by the assessment of an issue on the agenda. The Management Board should refuse information if:

- this could damage the Company or its associated company or subsidiary, in particular due to disclosure of technical, trade or organisational secret of the Company;
- this could expose a Member of the Management Board to criminal, civil or administrative liability.

In justified cases, the Management Board may provide information in writing no later than two weeks after the General Meeting is adjourned.

## **7. Composition, powers and procedures of the Management Board and the Supervisory Board**

### Composition of the Management Board

**[G4-34]** The Management Board is composed of at least three members appointed for a joint term of 5 years. At least half of the Members of the Management Board, including the President of the Management Board, have to hold Polish citizenship, be habitually resident in Poland, speak Polish, and have experience on the Polish market which can be used while managing the Bank. The Members of the Management Board manage selected areas of the Bank's operation within the scope determined by the President of the Management Board. The division of powers of the Members of the Management Board has been described in detail in the Management Board's resolutions.

There was one change in the composition of the Management Board in 2016. On April 12, 2016, Mr Jörg Hessenmüller informed the Bank about his resignation from the position of the Member of the Management Board, Vice-President of the Management Board of mBank S.A, Chief Financial Officer, effective as of June 30, 2016. Jörg Hessenmüller assumed new duties as a Managing Director for Commerzbank Group Strategy. On June 10, 2016, the Supervisory Board of mBank appointed Mr Heins the Vice-President of the Management Board, Chief Financial Officer. He took the office on July 1, 2016.

Additionally, on December 12, 2016, the Bank was informed that Vice-President of the Management Board, Mr Hans Dieter Kemler, intended to resign from his function at the Bank. Mr Kemler decided to resign as he was offered the position of a member of the management board in German Landesbank Hessen Thueringen (Helaba) responsible for capital markets, Treasury and asset management.

On February 16, 2017, Vice President of the Management Board – Head of Operations and Information Technology, Jarosław Mastalerz, informed the Bank of his intention to resign from his functions performed in the Bank in the nearest future. The reason for the Mr Mastalerz resignation is his intention to engage in

development and commercializing of new technologies in the finance sector within the project realized in cooperation with the Bank.

Please find below the composition of the Management Board of mBank as at December 31, 2016:

1. Cezary Stypułkowski – President of the Management Board, Chief Executive Officer
2. Przemysław Gdański – Vice-President of the Management Board, Head of Corporate and Investment Banking
3. Christoph Heins – Vice-President of the Management Board, Chief Financial Officer
4. Lidia Jabłonowska-Luba – Vice-President of the Management Board, Chief Risk Officer
5. Hans-Dieter Kemler – Vice-President of the Management Board, Head of Financial Markets
6. Cezary Kocik – Vice-President of the Management Board, Head of Retail Banking
7. Jarosław Mastalerz – Vice-President of the Management Board, Head of Operations and Information Technology

Detailed information on mBank Management Board Members is presented below:

#### **Cezary Stypułkowski - President of the Management Board, Chief Executive Officer**



Cezary Stypułkowski holds a Ph.D. in Law from the University of Warsaw. In the late 1980s, he studied at Columbia University Business School in New York as a participant of the Fulbright Program. Starting in 1991, he chaired the management board of Bank Handlowy S.A. (currently Citibank Group) for nearly thirteen years. Mr Stypułkowski was appointed as president of the management board of the PZU Group in 2003 and hold this function for three years. From 2006 to 2010 he worked for J.P Morgan in London, and from 2007 as Managing Director of J.P. Morgan Investment Bank in Central and Eastern Europe. Mr Stypułkowski was also a member of the International Advisory Board for Deutsche Bank Management Board, INSEAD International Advisory Board and the Geneva Association. Since 2012 he has been the co-chairman of the Emerging Markets Advisory Council of the Institute of International Finance in Washington (IIF).

Cezary Stypułkowski was appointed President of the Management Board of mBank on August 2, 2010, acting as President of the Management Board of the Bank as of October 1, 2010. He was approved as President of the Management Board by the Polish Financial Supervision Authority on October 27, 2010.

#### **Przemysław Gdański – Vice-President of the Management Board, Head of Corporate and Investment Banking**



Przemysław Gdański graduated from the University of Gdansk (faculty: International Trade) and completed a one-year program in international banking and finance at the Loughborough University in the UK. In 2012, he completed the Advanced Management Program (AMP) at IESE Business School.

He has over 25-year experience in corporate and investment banking. From 1993 to 1995 he worked for IBP Bank S.A., then for ABN AMRO Bank in Poland, Romania and in the headquarters in Amsterdam. From 2002 to 2006, he was the Managing Director of the Large Corporates Division in Bank BPH Bank S.A. From May to November 2006 he was CEO and General Director of Calyon Bank Polska and Calyon S.A. Branch in Poland.

In November 2006, Przemysław Gdański took the position of Deputy CEO in BPH Bank, responsible for corporate banking and real estate financing. After the merger of part of BPH Bank and Pekao S.A., he became the Deputy CEO of Pekao S.A. responsible for the Corporate Banking, Markets and Investment Banking Division.

Mr Gdański has been a Member of the Management Board since November 19, 2008.

#### **Christoph Heins – Vice-President of the Management Board, Chief Financial Officer**



Christoph Heins graduated from Bankakademie in Frankfurt am Main (currently: Frankfurt School of Finance and Management) in 1996 and obtained a master's degree in banking (Diplom-Bankbetriebswirt (BA)).

Mr Heins embarked on his career in 1988 in Dresdner Bank as Relationship Manager. Since then he occupied many positions in Commerzbank Group, both in Germany and abroad, gaining valuable experience in the front office, back office and support area. In 2008 Mr Heins was appointed as CFO in Commerzbank's branch in New York and performed this function until his return to Frankfurt in 2012. Subsequently, Mr. Heins was the global head of divisional controlling, the unit responsible for the financial reporting and forecast of and for the divisions of Commerzbank Group.

Christoph Heins has been the Vice-President of the Management Board of mBank, Chief Financial Officer, since July 1, 2016.

#### **Lidia Jabłowska-Luba – Vice-President of the Management Board, Chief Risk Officer**



Lidia Jabłowska-Luba graduated from the Mathematics Institute of the University of Gdańsk.

From 1994 to 2001, Ms Jabłowska-Luba was Vice-President of Schroder Salomon Smith Barney Poland, where she advised financial institutions on M&A and public equity transactions. In 2002, Lidia Jabłowska-Luba joined Citigroup in Poland, first as Head of Financial Institutions & Public Sector Division and since November 2003 as Member of the Management Board in charge of finance and operational risk management, capital management and implementation of the New Capital Accord. From 2008 to 2010, she served as Vice-President of the Management Board of Kredyt Bank acting as Chief Finance and Risk Officer. She was also the Advisor to the CEO of Warta S.A. and TUnŻ Warta S.A. From 2010 to 2012, Ms Jabłowska-Luba was the Senior General Manager at KBC Group in Brussels, where she was responsible for managing all risk types in the group, including model development and valuation, risk policies and procedures, risk support for business decisions, supervision and reporting, ICAAP and ORSA processes, capital adequacy policy and technological support for risk management. Additionally, Ms Jabłowska-Luba held the position of Vice-Chairman of the Group Risk Management Committee and also served as a member of the Group Risk and Capital Oversight Committee and ALCO at KBC Group.

Member of the Management Board of the Bank since April 12, 2013.

#### **Hans-Dieter Kemler – Vice-President of the Management Board, Head of Financial Markets**



Hans-Dieter Kemler graduated from the Westphalian Wilhelm University of Munster with a degree in business administration in 1996.

In 1987-1990 he took part in manager traineeship at Dresdner Bank in Muenster. In 1990-1991 he participated in a training programme on trading in securities and investment banking at the headoffice of Dresdner Bank in Frankfurt. In 1991-1992 he worked in the Bond Trading Department at

Dresdner Bank.

Between 1996 and 1998, employed with Sal. Oppenheim jr. & Cie. KGaA, Financial Markets Department in Frankfurt am Main, where he was responsible for interest rate transactions. From 1998 to 2005, Head of the Corporate Risk Advisory in the Head Office of Commerzbank.

Since 2005 until mid-2009, member of the senior management of Commerzbank responsible for international public finance. He also acted as a managing director at Erste Europäische Pfandbrief- und Kommunalkreditbank AG in Luxemburg S.A.

Member of the Management Board of mBank responsible for Financial Markets since July 10, 2009.

#### **Cezary Kocik – Vice-President of the Management Board, Head of Retail Banking**



Cezary Kocik graduated from the University of Łódź with a degree in Banking and Finance. In 2015, he completed the Advanced Management Program (AMP 189) at Harvard Business School. Holder of a securities broker license. From 1994 to 1996 Mr Kocik was employed with the brokerage house of Bank PBG as a securities broker. Starting in 1996 he worked for Bank PBG in the Investment Banking and Debt Collection and Restructuring divisions.

In 1999, Mr Kocik was employed with the Debt Collection and Loan Restructuring Department of Bank Pekao S.A. In 2000 he was appointed director of a Pekao Branch in Łódź.

He has been shaping mBank's retail banking since 2004: first in the retail credit risk area, then in the sales and business processes area, contributing to successful implementation of CRM system and substantially improving the effectiveness of key sales processes in direct channels.

Member of the Management Board of the Bank since April 1, 2012.

### **Jarosław Mastalerz – Vice-President of the Management Board, Head of Operations and Information Technology**



Jarosław Mastalerz graduated from the University of Łódź, the Economics and Sociology Department (major: Foreign Trade) and the Management Department (major: Management Accounting). He holds a certificate of the British Association of Chartered Certified Accountants. From 1996 to 1998, he worked as a consultant in PricewaterhouseCoopers. In 1998, he started to work for the Zurich Group. Initially, he was responsible for the organisation

and market strategy of the pension fund, and then he took over the position of Marketing Director and became a Member of the Management Board. Starting in 2000, he served as the Member of the Management Board responsible for the retail client segment of the Zurich Group in Poland, and from 2001 – as the Financial Director. From January 2003 to June 2006, he was a Member of the Management Board and the Financial Director of Generali T.U. S.A and Generali Życie T.U. S.A. From January 1, 2003, he was responsible for the financial department, the actuarial office, controlling and bancassurance. In 2002, he participated in the process of merging Zurich companies with Generali companies. On July 20, 2006, he was appointed Chief Executive Officer of BRE Ubezpieczenia Sp. z o.o., then Chief Executive Officer of BRE Ubezpieczenia Towarzystwo Ubezpieczeń S.A.

In August 2007, Jarosław Mastalerz was appointed by the Supervisory Board as Member of the Management Board of BRE Bank SA (currently mBank S.A.), Head of Retail Banking. Since April 2012, Jarosław Mastalerz has been a Member of the Management Board, Head of Operations and Information Technology responsible for IT and logistics area.

### **Powers and procedures of the Management Board**

The Members of the Management Board are jointly liable for the overall operations of the Bank. They work collegially and inform each other about the most important matters concerning the Bank for which particular Members of the Management Board are responsible. The Management Board may appoint standing committees or teams to perform specific functions or to co-ordinate the work of organisational units of the Bank or to perform specific tasks.

The following committees led by Members of the Management Board operate at mBank:

- Resource Management Committee (chairperson: Cezary Stypułkowski)
- Capital Management Committee (chairperson: Christoph Heins)
- Data Quality and IT Systems Development Committee (chairperson: Christoph Heins)
- Assets and Liabilities Management Committee of mBank Group (chairperson: Hans-Dieter Kemler)
- Foreign Branch Supervision Committee of mBank S.A. (chairperson: Cezary Kocik)
- Credit Committee of mBank Group (chairperson: Lidia Jabłonowska-Luba)

- Retail Banking Risk Committee (chairperson: Lidia Jabłowska-Luba)
- Corporate and Investment Banking Risk Committee (chairperson: Lidia Jabłowska-Luba)
- Financial Markets Risk Committee (chairperson: Lidia Jabłowska-Luba)
- Model Risk Committee (chairperson: Lidia Jabłowska-Luba)
- IT Architecture Committee of mBank S.A. (chairperson: Jarosław Mastalerz)

The Management Board manages the Bank's business, represents the Bank and defines the guidelines for the Bank's operations, especially for the areas subject to risks, including the credit policy, the investment policy, the Bank's assets and liabilities management policy, and the guarantee policy. The Management Board presents to the Supervisory Board on a regular basis comprehensive information on all significant aspects of the Bank's operations and related risks as well as risk management methods.

The Management Board operates pursuant to its Rules approved by the Supervisory Board. The Rules determine among others the issues which require consideration of the Management Board as a collegial body and adoption of a resolution of the Management Board.

All resolutions are adopted by a majority of votes of the Management Board Members present at the meeting, and in the case of an equal number of opposing votes, the President of the Management Board has the casting vote.

Rules and levels of remuneration of Members of the Management Board are determined by the Remuneration Committee of the Supervisory Board. The rules of the incentive programme for the Management Board as well as the principles of allocating bonuses to Management Board Members are defined in Resolutions of the Supervisory Board.

Total remuneration of the Members of the Management Board includes a fixed and a variable part.

A detailed description of the rules of the incentive programme for the Management Board is presented in Note 44 of the Consolidated Financial Statements of mBank S.A. Group for 2016 in line with the International Financial Reporting Standards.

The section below presents a brief description of the 2014 incentive programme for the Management Board which replaced the Incentive Programme Rules of December 7, 2012.

Under the programme, the Members of the Bank's Management Board have the right to receive a bonus, including a non-cash bonus paid in the Bank's shares, including phantom shares.

The net ROE of mBank Group and the monthly remuneration as at the end of the financial year for which the bonus is to be awarded constitute the basis for the acquisition of the right to a bonus and for the calculation of the bonus amount for a given financial year. One part of the base bonus is the equivalent of 50% of the base amount calculated depending on the ROE. The other part of the bonus may be granted by the Remuneration Committee of the Supervisory Board on the basis of its appraisal of the Management Board Member and achievement of the MbO objectives. The two parts of the bonus constitute the base bonus. 40% of the base bonus is paid in the year when it is determined: 50% in cash and 50% in Bank's shares, or bonds with a pre-emptive right to take up shares, or phantom shares. The remaining 60% of the base bonus is deferred and paid in three equal tranches in three subsequent years: 50% in cash and 50% in Bank's shares, or bonds with a pre-emptive right to take up shares, or phantom shares.

The remuneration of the Members of Management Board in 2015 and in 2016 is presented below.

|                         | Remuneration paid in 2016 (in PLN) |                |                |                 |
|-------------------------|------------------------------------|----------------|----------------|-----------------|
|                         | Basic remuneration                 | Other benefits | Bonus for 2015 | Deferred bonus* |
| 1. Cezary Stypułkowski  | 2,725,108                          | 252,868        | 500,000        | 325,000         |
| 2. Lidia Jabłowska-Luba | 1,500,000                          | 170,504        | 280,000        | 180,000         |
| 3. Przemysław Gdański   | 1,500,000                          | 194,440        | 280,000        | 180,000         |
| 4. Christoph Heins      | 841,392                            | 368,824        | -              | -               |
| 5. Hans-Dieter Kemler   | 1,509,926                          | 348,238        | 280,000        | 180,000         |
| 6. Cezary Kocik         | 1,500,000                          | 185,316        | 300,000        | 200,000         |
| 7. Jarosław Mastalerz   | 1,500,000                          | 203,396        | 340,000        | 180,000         |

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|                 |                   |                  |                  |                  |
|-----------------|-------------------|------------------|------------------|------------------|
| <b>In total</b> | <b>11,076,426</b> | <b>1,723,586</b> | <b>1,980,000</b> | <b>1,245,000</b> |
|-----------------|-------------------|------------------|------------------|------------------|

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\* In 2016, the 1st deferred tranche was paid out as part of the settlement of cash bonus for 2014.

|   | Remuneration paid in 2016 (in PLN) |                |                |                 |
|---|------------------------------------|----------------|----------------|-----------------|
|   | Basic remuneration                 | Other benefits | Bonus for 2015 | Deferred bonus* |
| <b>Remuneration of Members of the Management Board who resigned from the Management Board in 2016</b> |                                    |                |                |                 |
| 1. Jörg Hessenmüller  | 781,500                            | 93,768         | 300,000        | 190,000         |

\* In 2016, Jörg Hessenmüller was paid the 1st deferred tranche as part of the settlement of cash bonus for 2014.

|                 |                        | Remuneration paid in 2015 (in PLN) |                  |                  | Cash settlement of the incentive programme based on Commerzbank shares |
|-----------------|------------------------|------------------------------------|------------------|------------------|--|
|                 |                        | Basic remuneration                 | Other benefits   | Bonus for 2014   |  |
| 1.              | Cezary Stypułkowski    | 2,092,108                          | 174,833          | 650,000          | 827,941  |
| 2.              | Lidia Jabłonowska-Luba | 1,219,483                          | 228,872          | 360,000          | -  |
| 3.              | Przemysław Gdański     | 1,200,000                          | 143,184          | 360,000          | 658,950  |
| 4.              | Jörg Hessenmüller      | 1,263,000                          | 166,535          | 380,000          | -  |
| 5.              | Hans-Dieter Kemler     | 1,218,561                          | 366,354          | 360,000          | 688,900  |
| 6.              | Cezary Kocik           | 1,200,000                          | 156,825          | 400,000          | -  |
| 7.              | Jarosław Mastalerz     | 1,200,000                          | 125,670          | 360,000          | 778,749  |
| <b>In total</b> |                        | <b>9,393,152</b>                   | <b>1,362,273</b> | <b>2,870,000</b> | <b>2,954,540</b>   |

### Composition of the Supervisory Board

The Supervisory Board acts on the basis of adopted Rules and performs the functions provided for in the By-laws of the Bank, the Code of Commercial Partnerships and Companies, and the Banking Law. The By-laws of mBank provide that the Supervisory Board consists of no less than five Members elected by the General Meeting for a joint term of three years. Members of the Supervisory Board should possess knowledge, skills and experience adequate for fulfilling their function and duties entrusted to them and should guarantee proper fulfilment of these duties. At least half of all Supervisory Board Members, including the Chairman, shall hold Polish citizenship, permanently reside in Poland, speak Polish and have experience on the Polish market which can be used while supervising the Bank's operations. Pursuant to the statutory requirement, at least two Supervisory Board Members are independent, unless the General Meeting decides otherwise. The independence criteria of the Supervisory Board Members are stipulated in the Rules of the Supervisory Board.

In 2016, the composition of mBank's Supervisory Board changed twice.

In March 2016, Martin Blessing resigned from his position as Member of the Supervisory Board and the Executive Committee of the Supervisory Board as of April 30, 2016. On March 24, 2016, Michael Mandel was appointed to replace Martin Blessing from May 1, 2016 to the end of the current term of office of the Supervisory Board. Since May 23, 2016, Michael Mandel has held the position of a Member of the Management Board at Commerzbank AG responsible for private banking.

Furthermore, on October 27, 2016, the Bank received a letter from Martin Zielke, Deputy Chairman of the Bank's Supervisory Board, Member of the Remuneration Committee of the Supervisory Board and Member of the Executive Committee, with his resignation from these functions as of December 15, 2016. By the Resolution of the Supervisory Board of December 15, 2016, Jörg Hessenmüller, the Managing Director for Commerzbank Group Strategy was appointed Member of the Supervisory Board.

The composition of the Supervisory Board as at the end of 2016 is presented below.

1. Maciej Leśny – Chairman of the Supervisory Board
2. Stephan Engels – Deputy Chairman of the Supervisory Board
3. Andre Carls – Member of the Supervisory Board
4. Marcus Chromik – Member of the Supervisory Board
5. Jörg Hessenmüller – Member of the Supervisory Board
6. Thorsten Kanzler – Member of the Supervisory Board

7. Michael Mandel – Member of the Supervisory Board
8. Teresa Mokrysz – Member of the Supervisory Board
9. Agnieszka Słomka-Gołębiowska – Member of the Supervisory Board
10. Waldemar Stawski – Member of the Supervisory Board
11. Wiesław Thor – Member of the Supervisory Board
12. Marek Wierzbowski – Member of the Supervisory Board

More detailed information on mBank Supervisory Board Members as at December 31, 2016, is presented in the table below.

#### **Maciej Leśny – Chairman of the Bank's Supervisory Board**

In 1969 Maciej Leśny completed his studies at the Faculty of Economic Sciences at Warsaw University. During his professional career, Mr Leśny worked for 6 years in the shipbuilding industry in Gdańsk and 8 years for Zakłady Elektronicznej Techniki Obliczeniowej. For more than 22 years, he worked in the central state administration, including 8 years in the position of Undersecretary of State: in the Ministry of Foreign Economic Co-operation; the Ministry of Economy; the Ministry of Economy, Labour and Social Policy; and finally in the Ministry of Infrastructure.

He completed post-graduate studies and training in the United States at Michigan University (Business School of Administration) and De Paul University (Chicago). In 1992-1993, as a scholarship holder of the US government, Mr Leśny studied at the American University in Washington, DC. During his scholarship he served a four-month internship at the World Bank and completed a privatization training course in the International Monetary Fund.

From March 1994 to 1998, Mr Leśny was the Chairman of the Supervisory Board of mBank (former BRE Bank). By December 2001, Member of the Supervisory Board. In 2004, Mr Leśny was re-elected Chairman of the Supervisory Board.

#### **Stephan Engels – Deputy Chairman of the Supervisory Board**

He is a graduate from the University of St. Gallen in Switzerland. Between 1988-1993, he worked at Daimler-Benz AG's internal audit department. Afterwards he headed the Regional Controlling (Europe) at debis AG for three years. From 1996 to 2000 he served as Chief Financial Officer at debis AirFinance B.V. In 2000, he joined DaimlerChrysler Bank AG, as Member of the Board for Credit then Chief Financial Officer & IT. From 2003 he worked at DaimlerChrysler Services AG as a Member of the Board for Finance, Controlling, Risk Management & Strategy. From 2007 to 2012 he was a Member of the Executive Committee of Mercedes-Benz Car Group for Finance & Controlling and Head of Management Group Controlling at Daimler AG.

Since April 1, 2012, Member of the Board, Chief Financial Officer at Commerzbank AG.

#### **Andre Carls – Member of the Supervisory Board**

Having studied business economics and completed a doctorate at the University of Cologne, Dr Carls joined Commerzbank through an international trainee programme in 1990.

He subsequently held various positions in Corporate Finance and Capital Markets in Frankfurt and from 1998 to 2000 was Executive Director of the Investment Banking Division of Commerzbank in London.

From 2000 to 2008, Dr Carls was a Member of the Board of Managing Directors of comdirect bank AG, from September 2002 to November 2004 as CFO and from November 2004 to March 2008 as CEO. From March 2008 to September 2008 he held the position of Vice-President of the Management Board and CFO of BRE Bank S.A. (currently mBank S.A.).

From March 2008 to December 2013, Dr Carls was CEO of Commerzbank Auslandsbanken Holding AG and CEO of Central & Eastern Europe-Holding of Commerzbank AG. In January 2014, Dr Carls became a Divisional Board Member in the "Mittelstandsbank" of Commerzbank AG.

### **Marcus Chromik – Member of the Supervisory Board**

Marcus Chromik studied physics in Munich, Göttingen, and Kiel. He also spent time in the US, engaged in scientific research at Michigan State University. Mr Chromik holds a PhD in nuclear physics.

He started his professional career with McKinsey in 2001. In 2004 he joined Postbank Group, where he held various executive positions, including new issues and syndication, liquidity management, and Credit Treasury. Then he served as Chief Market Risk Officer for Commerzbank more than three years and was responsible for the bank's market and liquidity risk management. Dr Marcus Chromik has been a Divisional Board Member and Chief Credit Risk Officer at Commerzbank since 2012.

On January 1, 2016, he was appointed Member of the Board of Managing Directors at Commerzbank AG, Chief Risk Officer.

### **Jörg Hessenmüller – Member of the Supervisory Board**

Jörg Hessenmüller graduated from Hochschule für Bankwirtschaft in Frankfurt am Main in 1997 and was awarded a Master's in Management (Diplom-Betriebswirt (FH)). From 1989 to 2009 he worked for Dresdner Bank, holding the position of, among others, Head of Financial Control responsible for London, New York, Moscow, Sao Paulo and Asia. In 2009 Mr Hessenmüller was appointed Managing Director in Commerzbank Group and worked as Head of Investment Banking Finance, Group Finance. From April 2012 to June 2016, he was the Member of the Management Board of mBank S.A. responsible for the finance area.

Since July 2016, Mr Jörg Hessenmüller has been the Managing Director in Commerzbank Group responsible for Group Management Development & Strategy.

### **Thorsten Kanzler – Member of the Supervisory Board**

Thorsten Kanzler studied mechanical engineering and economics at the University of Technology in Darmstadt (Germany), where he obtained the Diplom-Wirtschaftsingenieur (M.Sc. Eng.).

From 1991 to 2004 he was employed with Deutsche Bank AG on various positions in the treasury and risk management area in Frankfurt, New York, Sydney and London.

Between 2004 and 2007, Mr Kanzler was Group Treasurer and Divisional Board Member of Corporate & Investment Banking in WestLB AG in Düsseldorf.

From May 2007, Mr Kanzler was Head of Group Treasury & Capital Management at Dresdner Bank AG in Frankfurt am Main. Since the beginning of 2009, Mr Kanzler has been Divisional Board Member for Group Treasury at Commerzbank AG. He is responsible for assets and liabilities management, risk management, capital management and funding.

### **Michael Mandel – Member of the Supervisory Board**

Michael Mandel is a graduate of Business Administration at the University of Muenster. Between 1986-2000 he worked for Dresdner Bank AG, where he was responsible for private banking. In the years 2000-2002 he was a consultant in McKinsey&Company.

Since 2002 he has worked for Commerzbank AG, first as the Director for Business Development – private clients segment, and then the Group Manager – Private and Business Clients. In 2008, he was appointed CEO of Comdirect Bank AG. Since 2010, Divisional Board Member for private customers at Commerzbank AG. In May 2016 Michael Mandel was appointed Member of the Board of Managing Directors at Commerzbank AG responsible for the segment of "private and business customers".

### **Teresa Mokrysz – Member of the Supervisory Board**

Teresa Mokrysz is a graduate of the Academy of Economics (now the University of Economics) in Katowice (1978). In 1990, she created the Mokate brand, one of the most recognisable Polish brands in the world. She transformed a small family-run company into a group of international companies with worldwide operations. As a co-owner, she directs nine Mokate companies with their business seats in Poland and Central Europe. She built from scratch production plants in Żory and Ustroń and expanded

a production facility near Prague (production of coffee, tea, ingredients for the food industry). She has successfully launched her products in several dozen countries on all continents.

In 2000, the International Association of Women Entrepreneurs from Los Angeles awarded her the title "The Leading Women Entrepreneurs of the World". Teresa Mokrysz has been the recipient of numerous prestigious awards in Poland and abroad. She was awarded Commander's Cross of Polonia Restituta by the President of the Republic of Poland. She funds scholarships for talented and less well-off young people and provides financial support to health care institutions, nursing care homes, orphanages and schools.

#### **Agnieszka Słomka-Gołębiowska – Member of the Supervisory Board**

Agnieszka Słomka-Gołębiowska is a graduate of Warsaw School of Economics (SGH) of faculty: finance and banking and MBA in the French Management Institute (IFG). She obtained a PhD degree in economics at SGH, where she is currently working as a lecturer and conducting research into corporate governance.

From 2006 to 2009, the director in the Industrial Development Agency responsible for corporate governance and before that, a consultant for private and public companies at Arthur Andersen. Since 2006, she has been a member of supervisory boards. She completed the Alexander von Humboldt Fellowship at the University of Muenster and the Polish-American Fulbright Fellowship at the University of California, Berkeley. She was a visiting scholar at universities in Cambridge (MIT), Tucson (UOA), Munster, Copenhagen (CBS), Birmingham (BBS), Berlin (HSoG), Genoa (UoG - Law School), Vienna (WU) and Florence (UniFi). She is the author of many publications on corporate governance.

#### **Waldemar Stawski – Member of the Supervisory Board**

Graduate of the Gdańsk Technical University and post-graduate studies in: Accounting and Finance (2009-2010), Financial Analysis in Business Management (1992-1993), Microprocessors in Ergoelectronics and Propulsions (1986-1987), Didactics and Pedagogy (1984-1985).

In 1991-2011 he underwent domestic and foreign training on banking, finance and banks' organisation.

Mr Stawski holds the Accounting Certificate issued by the Minister of Finance and is authorised to provide bookkeeping services. He passed the exam for the candidates for members of supervisory boards at state-owned companies (certificate MPW April 8, 1995).

In 1983-1991, Mr Stawski was a member of the teaching staff of the Maritime University of Gdynia. In 1991, he became an employee of Pomorski Bank Kredytowy. In 1993, Mr Stawski became a branch director in Gdynia. In 1995-2000, he was director of the Regional Branch of PKO BP in Gdańsk. In 2000, Mr Stawski was appointed Vice-President of the Management Board of PKO BP S.A. responsible for managing the treasury, corporate clients, capital market and corporate governance areas. From June 2002 to February 2003, Mr Stawski was Chairman of the Team of Receivers for Wschodni Bank Cukrownictwa S.A. He then served as a Member of the Management Board of CTL Logistics S.A. and General Director of the Polish Association of Transport and Logistics Employers.

From 2006 to 2015, Mr Stawski was a consultant of ALDAZ Sp. z o.o., and he currently acts as director at Zarzecki, Lasota i Wspólnicy Sp. z o.o.

In the years 2012-2014 he was the Member of the Management Board of Gdańsk Business Club of which he has been a member since 1995. In 2012, he was appointed to the Council of the Maritime University of Gdynia. From November 2014 to February 2015, Waldemar Stawski was special administrator of SKOK Wołomin.

#### **Wiesław Thor – Member of the Supervisory Board**

Wiesław Thor graduated from the Central School of Planning and Statistics (currently Warsaw School of Economics – SGH), training program "Train the Trainer" organised by KPMG and the South Carolina Business School, and summer school of banking at McIntire University Business School. Employed with BRE Bank since 1990 (currently mBank) in the following positions: Specialist, Division Head, Deputy

Director of the Warsaw Branch, Director of the Credit Department, and Chief Risk Officer from May 2000. From August 1, 2002, Managing Director at Bank Handlowy in Warsaw.

On November 2, 2002, Mr Thor was appointed Member of the Management Board of BRE Bank, Chief Risk Officer. He was Deputy President of the Management Board of BRE Bank from March 15, 2008 to April 11, 2013.

Lecturer at the Warsaw Institute of Banking and SGH. Long-time Member of the Steering Committee of the Risk Management Association (formerly: Robert Morris Association European Credit & Risk Management Round Table) and Member of PRMIA Polska.

#### **Marek Wierzbowski - Member of the Supervisory Board**

Professor ordinarius at the University of Warsaw, legal advisor, the founding partner of the law firm Wierzbowski and Partners - Legal Advisors and Advocates, President of the Arbitration Court of the Chamber of Brokerage Houses, member of the Board of Directors of the Polish-U.S. Fulbright Commission, and member of the Council in the European Law Institute based in Vienna. He was a member of the College of the Supreme Audit Office, member of the Public Procurement Council, Vice-President and President of the Supervisory Board of the Warsaw Stock Exchange, and President of the Construction Law Codification Committee. He was the deputy dean of the Faculty of Law and Administration, as well as vice rector of the University of Warsaw.

For many years he was an associate of law firms Weil Gotshal & Manages and Linklaters. He was an advisor to the Minister of Ownership Transformations, the Minister of Treasury, the President of the Energy Regulatory Office, and Deputy President of the Court of Arbitration at the National Chamber of Commerce.

In his legal practise, Prof. Marek Wierzbowski managed legal teams, supporting numerous transactions, including sales of shares in connection with privatization of large enterprises. He is the scientific editor and co-author of many legal commentaries and textbooks.

The Supervisory Board has five independent members: Maciej Leśny, Teresa Mokrysz, Agnieszka Słomka-Gołębiowska, Waldemar Stawski and Marek Wierzbowski. Wiesław Thor is not an independent member as he was a Member of the Management Board of mBank, and holding the function of a Member of the Management Board of the Bank in the past five years is one of the reasons why a Member of the Supervisory Board cannot be considered an independent member.

Andre Carls, Marcus Chromik, Stephan Engels, Jörg Hessenmüller and Thorsten Kanzler are not independent members due to their relationship with the main shareholder of mBank.

#### **Powers and procedures of the Supervisory Board**

The responsibilities of the Supervisory Board include, in particular, the following matters:

- Advising and supervising the Management Board in defining internal guidelines for the activity of the Bank, especially for the areas subject to risks, including the Bank's credit policy, investment policy, guarantee policy, compliance policy, and approving the Management Board's proposals concerning the general organisational structure of the Bank.
- Supervising compliance of the Bank's risk-taking regulations with the strategy and financial plan of the Bank.
- Approving the disclosure policy rules concerning risk management and capital adequacy adopted by the Management Board.
- Approving strategies and procedures for the internal control system, the risk management system, the internal capital assessment process, capital management and capital planning, as proposed by the Management Board.
- Assessing the adequacy and effectiveness of the risk management system.
- Reviewing regular and exhaustive reports presented by the Management Board on all relevant issues related to the activity of the Bank, the risks of its activity, and the means and effectiveness of risk management.

- Preparing a concise assessment of the position of the Bank to be presented to the Annual General Meeting and attached to the annual report of the Bank for the previous financial year.
- Approving the Bank's annual financial plans, multi-year growth plans, as well as the strategy of the Bank and the rules of prudent and stable management of the Bank.
- Reviewing any motions and matters to be decided in a resolution of the General Meeting, including draft resolutions of the General Meeting; the Supervisory Board prepares the justification for draft resolutions to be presented to the General Meeting for approval.
- Issuing and approving rules provided for in the By-laws of the Bank.
- Appointing and dismissing the President of the Management Board, the Vice-Presidents of the Management Board and other Members of the Management Board subject to the procedures laid down in the Banking Law and taking into account relevant qualifications for the functions assigned to them.
- Defining the terms of contracts and remuneration of the Management Board.
- Authorising the Chairman of the Supervisory Board to represent the Bank in agreements with Management Board Members, including the conclusion of management contracts with Management Board Members.
- Approving conclusion or amendment of any significant contract or agreement with Members of the Management Board or the Supervisory Board.
- Approving conclusion, amendment or termination of any significant alliance or co-operation agreements.
- Analysing reports of the Internal Audit Department Director received at least once per year.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board on his or her own initiative or on request of the Management Board or on request of a Supervisory Board Member at least three times a year. All Management Board Members participate in the meetings of the Supervisory Board except for those agenda items which directly concern the Management Board or its Members.

Resolutions of the Supervisory Board are adopted by a simple majority of votes. In the case of an equal number of opposing votes, the Chairman of the Supervisory Board has the casting vote.

No resolution should be passed without the consent of the majority of the Independent Members of the Supervisory Board on the following matters:

- any benefits provided by the Bank or any entities associated with the Bank to the Members of the Management Board.
- consent for the Bank to enter into a significant agreement with an entity associated with the Bank, a Member of the Supervisory Board or the Management Board, and entities associated with them.

The Supervisory Board has four committees: the Executive Committee, the Risk Committee, the Audit Committee, and the Remuneration Committee. Members of the Committees are presented below (in the first place - Chairman of the Committee).

| Executive Committee | Risk Committee               | Audit Committee       | Remuneration Committee |
|---------------------|------------------------------|-----------------------|------------------------|
| <u>Maciej Leśny</u> | <u>Marcus Chromik</u>        | <u>Stephan Engels</u> | <u>Andre Carls</u>     |
| Andre Carls         | Thorsten Kanzler             | Andre Carls           | Stephan Engels *       |
| Stephan Engels *    | Maciej Leśny                 | Maciej Leśny          | Maciej Leśny           |
| Teresa Mokrysz      | Agnieszka Słomka-Gołębiowska | Waldemar Stawski      | Marek Wierzbowski      |

\* Since December 16, 2016. Until December 15, 2016 Martin Zielke was a member of the Committee.

The tasks of the Executive Committee involve, in particular, exercising regular supervision over the Bank's operation in the periods between meetings of the Supervisory Board. The Executive Committee authorises the Management Board to acquire, encumber or dispose of real estate, perpetual leasehold, or interests in real estate, shares or equity interests in companies, and other fixed assets if the value of the transaction

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exceeds 1% of the Bank's own funds. Such authorisation is not required if the aforesaid acquisition took place as part of enforcement or bankruptcy proceedings, including the bankruptcy proceeding with the possibility to make an arrangement or other settlement with the Bank's debtor or in the case of the sale of assets so acquired.

The Audit Committee issues opinions about the selection of the Bank's statutory auditor by the General Meeting, recommends whether the Supervisory Board should approve or reject financial statements, exercises regular supervision over the internal control system at the Bank, and approves changes proposed by the Management Board of the Bank as regards the head of the Internal Audit Department. The Audit Committee must have at least one independent Supervisory Board Member with qualifications and experience in accounting and finance.

The Risk Committee has, among others, the following tasks: exercising permanent supervision over credit risk, market risk, operational risk, and liquidity risk. Moreover, the Risk Committee issues recommendations for approval or rejection of exposures with single entity risk, in accordance with the parameters defined by the Supervisory Board at the time. Moreover, the Risk Committee provides the Supervisory Board with recommendations for approval or rejection of the transactions, provided for in the Banking Law, concluded between the Bank and Members of the Bank's authorities, and recommendations for approval or rejection of the Bank's disclosure policy regarding risk management.

The tasks of the Remuneration Committee include among others: reviewing the remuneration principles and amounts of remuneration paid to the Members of the Management Board, setting the remuneration levels, presenting opinions concerning approval for Members of the Management Board of mBank to engage in competitive activity, issuing recommendations to the Supervisory Board regarding the general guidelines for the Management Board on the level and structure of remuneration for the Bank's senior management and the policy of variable components of remuneration paid to persons holding managerial positions at the Bank. Moreover, the Committee monitors the level and structure of the remuneration paid to senior managers.

All standing committees of the Supervisory Board make reports on their activity in the past reporting period available to the shareholders. The aforesaid reports are appended to the set of materials for the Annual General Meeting.

The amount of monthly remuneration of the Members of the Supervisory Board was set in Resolution No. 26 adopted by the 25<sup>th</sup> Annual General Meeting held on March 30, 2012. The Chairperson of the Supervisory Board earns PLN 17,000 monthly, the Deputy Chairperson - PLN 14,500 monthly, while members of the Supervisory Board earn PLN 12,000 monthly each.

Additional monthly remuneration is granted for participation in the standing committees of the Supervisory Board: 50% of the monthly basic remuneration for the first committee and 25% for participating in every other committee. Total remuneration for the participation in committees cannot exceed 75% of basic remuneration.

The remuneration of the Supervisory Board for 2015-2016 is presented in the table below.

|                                 | Remuneration paid in 2016<br>(in PLN) | Remuneration paid in 2015<br>(in PLN) |
|---------------------------------|---------------------------------------|---------------------------------------|
| 1. Maciej Leśny                 | 367,235                               | 367,235                               |
| 2. Andre Carls                  | 252,000                               | 252,000                               |
| 3. Marcus Chromik               | -                                     | -                                     |
| 4. Stephan Engels               | -                                     | -                                     |
| 5. Jörg Hessenmüller            | -                                     | -                                     |
| 6. Michael Mandel               | -                                     | -                                     |
| 7. Thorsten Kanzler             | 216,000                               | 216,000                               |
| 8. Teresa Mokrysz               | 220,225                               | 220,225                               |
| 9. Agnieszka Słomka-Gołębiowska | 221,435                               | 221,435                               |
| 10. Waldemar Stawski            | 221,435                               | 221,435                               |
| 11. Wiesław Thor                | 149,435                               | 149,435                               |
| 12. Marek Wierzbowski           | 216,000                               | 216,000                               |
| Martin Zielke*                  |                                       | -                                     |
| Martin Blessing**               |                                       |                                       |
| Stefan Schmittmann***           |                                       | -                                     |
| <b>In total</b>                 | <b>1,863,765</b>                      | <b>1,863,765</b>                      |

\*On December 15, 2016 Mr Martin Zielke resigned from his position.

\*\*On April 30, 2016 Mr Martin Blessing resigned from his position.

\*\*\*On December 31, 2015 Mr Stefan Schmittmann resigned from his position.

### Activity of the Supervisory Board and its Committees in 2016

In 2016, the Supervisory Board held six meetings and adopted 65 resolutions. The resolutions covered all areas of the Bank's operation and were consistent with the scope of supervisory functions specified in generally applicable laws, the Banking Law, PFSA recommendations, corporate governance principles, and the Bank's By-laws and the Rules of the Supervisory Board.

The adopted resolutions concerned among others:

- Approval of financial statements of mBank and mBank Group and other materials for the Annual General Meeting.
- Adoption of the Financial Plan for 2017 and the Medium-Term Plan for 2017-2020.
- Approval of the assessment of mBank's application of the Corporate Governance Principles for Supervised Institutions in 2015.
- Approval of the "Mobile Bank - mBank Group Strategy for 2016-2020".
- Approval of mBank's IT Strategy and Cyber-Security Strategy for 2016-2020.
- Approval of the documentation and the report on a review of the Internal Capital Adequacy Assessment Process (ICAAP) at mBank Group.
- Adoption of the Capital Management Policy at mBank Group.
- Allocation of funds to mBank Foundation.
- Approval of the general organisational structure of mBank and the division of powers among Members of the Management Board of and Managing Directors of mBank.
- Approval of the Risk Takers Identification Policy, as well as the Risk Takers Remuneration Policy and Rules.

- Approval of the Rules of mBank Management Board Incentive Programme.
- Approval of the Employee Incentive Programme Rules and the Information Memorandum drawn up to implement the Employee Incentive Programme.
- Approval of the Audit Plan of the Internal Audit Department for 2016 and adoption of the Internal Control Rules of mBank S.A.
- Approval of the Compliance Policy, and approval of the Compliance Risk Management Report.
- Approval of reports on the outsourcing and complaints handling supervision functions.
- Approval of the strategies and policies requiring approval of the Risk Committee and the Supervisory Board including: market and liquidity risks management strategy and corporate and retail credit risks management strategy.
- Approval of the Contingency Plan in the event of a threat of losing financial liquidity by mBank S.A.
- Approval of mBank Group's Models Management Policy.
- Approval of the Reputation Risk Management Strategy of mBank Group.
- Approval of the Limit Book – Limit Rules and the levels of limits for mBank Group.

In the past year, current results of mBank Group and its business areas were discussed and evaluated in a systematic, regular manner at meetings of the Supervisory Board with reference to the financial plan.

Attendance of the Supervisory Board Members at Supervisory Board meetings in 2016 is presented in the table below.

|                              | Attendance* |
|------------------------------|-------------|
| Martin Blessing              | 2/2         |
| Andre Carls                  | 6/6         |
| Marcus Chromik               | 6/6         |
| Jörg Hessenmüller            | 1/1         |
| Stephan Engels               | 5/6         |
| Thorsten Kanzler             | 5/6         |
| Maciej Leśny                 | 6/6         |
| Michael Mandel               | 3/3         |
| Teresa Mokrysz               | 6/6         |
| Agnieszka Słomka-Gołębiowska | 6/6         |
| Waldemar Stawski             | 6/6         |
| Wiesław Thor                 | 6/6         |
| Marek Wierzbowski            | 6/6         |
| Martin Zielke                | 5/6         |

\* Attendance at meetings / number of meetings during the term of office.

In 2016, the Executive Committee performing its function of ongoing supervision over the Bank's operation in the periods between the meetings of the Supervisory Board co-operated closely with the Management Board and was informed about the situation of the Bank on an ongoing basis. Apart from the meetings of the Supervisory Board, Members of the Committee had regular meetings with the Members of the Management Board discussing the most important current issues of the Bank. According to its powers, the Executive Committee took decisions on the strategic transactions concluded by mBank. In a decision, the Executive Committee approved its report for the previous year which is presented to the Annual General Meeting.

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The Audit Committee was regularly informed about the results and the financial position of the Bank and the Group. It received and analysed information on actions taken in the key risk areas.

The Committee held four meetings in 2016 and discussed, among others, the following:

- Compliance of the process of preparing financial statements with the applicable law.
- Co-operation with the external auditor.
- Conclusions from the audit of the annual financial statements of mBank Group for 2015.
- Scope of the audit of the annual financial statements for 2016.
- Assessment of mBank's internal control system in 2016.
- On-going supervision of proposed changes to mBank's internal control system in 2016.
- Ongoing supervision over the activity of the Internal Audit Department.
- Approval of reports of the Compliance Department.

The Audit Committee provided the Supervisory Board with recommendations on the approval of: Reports of the Management Board on the activity of mBank and mBank Group in 2015, and the financial statements for 2015, the annual report on compliance risk management at mBank in 2015, report of the Outsourcing Coordinator on the implementation of the Outsourcing Policy at mBank in 2015 and the Audit Plan of the Internal Audit Department for 2016.

In 2016, the Risk Committee held four meetings, during which it discussed the following matters: changes in the economic situation in Poland and their impact on the Bank, quarterly risk reports (capital adequacy, liquidity risk, credit risk, operational risk, market risk, interest rate risk, key events in the risk area), as well as a range of issues related to mBank's portfolios, including dedicated presentations on corporate, investment, financial markets, and retail portfolio risks.

Other major issues considered by the Committee included the largest exposures, development of risk parameters, and loan loss provisions at the Bank and in the Group. Furthermore, in accordance with its work plan, the Risk Committee discussed in detail the effectiveness of particular portfolios of the Bank, analysing risk parameters, change directions and forecasts. It also reviewed the management strategies covering individual risks of mBank Group and the strategic risk limits.

In 2016, the Risk Committee issued:

- 16 recommendations concerning exposures subject to single entity risk in accordance with the parameters defined by the Supervisory Board
- 16 decisions containing recommendations for the Supervisory Board regarding the approval of a range of strategies and policies and other risk management documents requiring the Supervisory Board's approval.

The Remuneration Committee held four meetings in 2016 and issued 19 decisions. During its meetings the Remuneration Committee discussed and issued recommendations for the Supervisory Board regarding the approval of:

- Rules of mBank Management Board Incentive Programme.
- Rules of mBank Employee Incentive Programme.
- Assessment and definition of the MbO objectives for the Members of the Management Board of mBank.
- Risk Takers Identification Policy.
- Risk Takers Remuneration Policy and Rules.
- Policy for the assessment of qualifications (suitability) of members of the supervisory body, management body and key function holders in the Bank.

## **8. mBank's Diversity Policy**

Being guided by the rule that diversity creates value added for the organisation, mBank has made use of the basic elements of the diversity policy in its HR policy for many years. Elements of the diversity policy

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are present in various procedures and processes, but the Bank does not have in place a uniform diversity policy document approved by the company's authorities.

Diversity arising from experience, knowledge, education, interests and a number of other things fosters creativity, innovation and effectiveness, and thus contributes to the company's competitive advantage, service quality and economic results.

mBank treats people equally regardless of their sex, age, material status, family background, physical abilities, nationality, sexual orientation, and political and religious beliefs, that is all the factors that may give rise to direct or indirect discrimination. The Bank offers a workplace that helps the management make use of and develop their unique features, skills and interests, for example through participation in training activities and clubs that bring together people with similar interests.

In accordance with the sex equality policy, the Bank tries to ensure that both men and women take part in external and internal recruitment and in the succession planning regarding the key functions at the Bank, taking into account the principles of equal treatment in hiring new employees. mBank's recruitment process involves a selection method that ensures objective assessment of candidates' skills. Every employee of the Bank can be promoted to manager, if they have a relevant professional track record.

Among the seven Members of the Bank's Management Board there is one woman, whereas two women sit on the twelve-person Supervisory Board of the Bank.

The composition of mBank's Supervisory Board reflects the care exercised to achieve the greatest possible diversification of members both in terms of their professional experience, as well as their knowledge and skills. The Supervisory Board is composed of representatives of mBank's main shareholder, representatives of science and business, and persons having vast legal knowledge and banking expertise.

Women account for 25% of top managers at the Bank. mBank's managers graduated from different fields of study in Poland and abroad, including economics, technology, IT, law, and philology. The management consists of people with diverse experience in Polish, European and American financial and non-financial institutions. The managers are aware of how important diversity is to the workplace and take part in training to learn how to identify differences and make use of them. mBank employs the Success Insights method to identify skills and personal features that may turn profitable in the workplace.

