

# Statement of mBank on application of corporate governance principles in 2017

1.1. APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES .....	2
1.2. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS WITH REGARD TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS OF MBANK .....	5
1.3. PRINCIPLES OF APPOINTING AND DISMISSING MANAGEMENT BOARD MEMBERS .....	8
1.4. AMENDMENTS TO THE COMPANY'S BY-LAWS .....	8
1.5. GENERAL MEETING AND SHAREHOLDER RIGHTS .....	9
1.6. COMPOSITION, POWERS AND PROCEDURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD .....	11
1.7. MBANK'S DIVERSITY POLICY .....	26

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## 1. Statement of mBank on application of corporate governance principles in 2017

### 1.1. Application of corporate governance principles

The general corporate governance principles applicable at mBank, i.e. regulations and procedures determining the guidelines regarding the bank's authorities' actions, in particular towards stakeholders, arise from statutory regulations, in particular from the Code of Commercial Companies and Partnerships and the Banking Law Act, the provisions regulating the operation of the capital market and the rules laid down in the following documents: "Best Practice for WSE Listed Companies 2016", "Principles of Corporate Governance for Supervised Institutions" issued by the Polish Financial Supervision Authority on July 22, 2014 and the "Code of Banking Ethics" issued by the Polish Bank Association.

In 2017, the bank applied the corporate governance principles contained in the "Best Practice for WSE Listed Companies 2016", issued by the Warsaw Stock Exchange by way of Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) dated October 13, 2015. These principles have been valid as of January 1, 2016.

The text of the "Best Practice for WSE Listed Companies 2016" is available on the website of the Warsaw Stock Exchange, in the section dedicated to the corporate governance of listed companies <https://www.gpw.pl/best-practice>.

The "Principles of Corporate Governance for Supervised Institutions" are available on the website of the Polish Financial Supervision Authority ([https://www.knf.gov.pl/dla\\_rynku/regulacje\\_i\\_praktyka/zasady\\_ladu\\_korporacyjnego](https://www.knf.gov.pl/dla_rynku/regulacje_i_praktyka/zasady_ladu_korporacyjnego)).

#### Best Practice for WSE Listed Companies 2016

From among the detailed principles of the "Best Practice for WSE Listed Companies 2016", mBank does not apply principle no. VI.Z.2., which reads as follows: "To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years". The principles for granting variable components of remuneration at mBank 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 the premise specified in item VI.Z.2. of the Best Practice for WSE Listed Companies 2016 as a condition for awarding the bonus. The principles for granting variable components of remuneration at mBank are compliant with the Regulation of the Minister of Development and Finance of March 6, 2017, on the Risk Management System, the Internal Control System, the Remuneration Policy as well as the Detailed Method for Banks' Internal Capital Assessment (Journal of Laws of 2017, item 637) and EBA's Guidelines on sound remuneration policies (EBA/GL/2015/22) of June 27, 2016, which do not provide for the premise indicated in item VI.Z.2 as a condition for granting a bonus.

In 2017, the bank started to comply with principle II.Z.8., which reads as follows: "The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.", in connection with the changes in the composition of the Audit Committee following the appointment of a new Supervisory Board by the 30<sup>th</sup> Annual General Meeting of mBank S.A. on March 30, 2017. Previously, the bank did not comply with the above principle as the Audit Committee was chaired by a Member of the Supervisory Board who was related with the majority shareholder of mBank.

Moreover, from among all recommendations specified in the "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.

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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. 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 one independent member. Three members do not meet the criterion of independence.

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

The "Principles of Corporate Governance for Supervised Institutions" cover relations with shareholders and clients, issues relating to the organisational structure, ensuring 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 principles laid down in Article 8 (4) and Article 16 (1).

The principle in Article 8 (4), which reads 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 "Best Practice for WSE Listed Companies 2016". As a large part of mBank's shareholders are represented at General Meetings, 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 reads 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 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.

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- 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 KNF regarding the election of Members of the Supervisory Board of the Bank.

### **Code of Banking Ethics**

Apart from 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: the "Code of Best Banking Practice" and the "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**

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

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".

### **Information policy**

mBank pursues a transparent, open, and reliable information policy, which builds mutual trust and loyalty of investors. When implementing its information policy, mBank complies with requirements arising from provisions related to information confidentiality and security, which it must abide by as a public company and a supervised institution.

The main means applied by the bank in its information policy towards investors include:

- current and periodic reports;
- meetings, tele- and video-conferences of representatives of the Management Board and the Investor Relations, Group Strategy and Macro Research Department with investors and analysts, both in Poland and abroad;

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- 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 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 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 and the target share price. On mBank's website, there are annual, periodical and current reports and presentations, including presentations of the results of the Group for analysts and stock exchange investors as well as presentations for persons and entities investing in the bank's debt securities, an online version of the annual report enabling interactive access to the audited financial data, an investor's calendar and the mBank Analyser which makes it possible to analyse the financial and business data of mBank Group in different dimensions. In the section dedicated to corporate governance and best practice, the following is included: mBank's by-laws and rules of the bank's bodies, statements on the application of corporate governance principles and other required documents.

Feedback from investors provides a basis for drawing conclusions regarding future actions in the area of investor relations, among others, in respect of the scope of information materials. mBank ensures that every group of stakeholders is treated with equal care and attention when it comes to providing information. The bank treats all groups of stock exchange stakeholders equally and aims at providing individual investors with quick access to the material information on the company which can be accessed by institutional investors. It is worth mentioning that in 2017, as part of its actions targeted at individual investors, mBank participated in the WallStreet conference in Karpacz - Poland's biggest meeting of individual investors.

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

- providing stakeholders 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.

## **1.2. 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 efficiency and effectiveness of the bank's operations, reliability of financial reporting, compliance with risk management rules of the bank, as well as compliance of the bank's operation with the law and internal regulations.

The internal control system encompasses the following:

- control function whose task is to ensure observance of control mechanisms concerning in particular risk management at the bank and which covers positions, groups of people and organisational units responsible for performance of tasks assigned to the function. The control function is performed on a regular basis by employees of all organisational levels as part of:
  - ongoing monitoring consisting in examining selected operations or activities performed at the bank beforehand and during their execution, and
  - periodical verification - consisting in verifying selected operations or activities already performed in order to check the adequacy and effectiveness of ongoing monitoring.
- compliance unit, whose task is to identify, assess, control and monitor the risk of non-compliance of the bank's activities with the law, internal regulations and market standards and report in this respect. The tasks of the compliance unit are executed by the Compliance Department.

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- independent internal audit unit, whose task is to examine and assess, impartially and objectively, the adequacy and effectiveness of the risk management system and the internal control system. The tasks of the independent internal audit unit are executed by the Internal Audit Department.

On the basis of conducted reviews and assessments of control mechanisms' effectiveness, the Management Board of the bank, the Audit Committee and the Supervisory Board of the bank are provided with:

- information on identified major irregularities in the functioning of control mechanisms immediately after their identification and information on the effects of actions taken in order to remove such irregularities, and
- periodic information concerning the areas of internal control.

On the basis of internal control activities the Management Board of the bank, the Audit Committee and the Supervisory Board of the bank are provided with information on the key areas of operation of the bank in compliance with the requirements arising from applicable laws.

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 adjusting 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 drawn up 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 with 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. The period of total uninterrupted statutory audit engagements carried out by the same audit firm or an audit firm related to this audit firm, or any member of the network operating within the European Union to which these audit firms belong, must not exceed five years. The key statutory auditor may carry out a statutory audit again at the bank after at least three years of the completion of the last statutory audit.

On March 30, 2017, the 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 2017. PricewaterhouseCoopers Sp. z o.o. also reviewed the financial statements of the Bank and the consolidated financial statements of mBank Group for 2016, 2012 and for the previous years. In the years 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 49 of the IFRS Consolidated Financial Statements of mBank S.A Group for 2017.

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 2016" contest organised by the Accounting and Tax Institute (IRiP), the results of which were announced in October 2017, mBank won the title "The Best of the Best" for the best annual report in the category of financial institutions for the fifth time in a row.

### **Significant blocks of shares**

mBank's share capital amounts to PLN 169,248,488 and is divided into 42,312,122 registered and bearer shares with a nominal value of PLN 4 each.

Commerzbank AG is the majority shareholder of mBank.

As at December 31, 2017, Commerzbank held directly 29,352,897 shares of mBank, which accounted for 69.37% of the share capital and votes at the General Meeting.

Shares accounting for 30.63% of all mBank shares were in free float. These shares 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. According to open pension funds lists of shares of companies listed on the WSE in fund portfolios at the end of 2017, Nationale-Nederlanden Otwarty Fundusz Emerytalny held 5.03% of mBank shares. The third largest shareholder of mBank was AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK, which held 4.53% of mBank shares.

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.

<b>Shareholder</b>	<b>% share in the total number of shares and votes at the end of 2017</b>
1. Commerzbank AG	69.37%
2. Nationale-Nederlanden Otwarty Fundusz Emerytalny*	5.03%
3. AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK*	4.53%

\* Data based on the List of shares of companies listed on the WSE in the portfolio of NN OFE and OFE AVIVA BZ WBK as at December 31, 2017.

### **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.

Commerzbank holds branches and offices in almost 50 countries. The main markets for the bank are Germany and Poland. There are about 1,000 thousand branches in the branch network of Commerzbank in Germany. Commerzbank serves more than 18 million private customers as well as more than 60 thousand corporate clients, multinational companies, financial service providers, and institutional clients. The bank finances more than 30% of Germany's foreign trade and is the leader in financing corporate clients in Germany and providing financial market products. Commerzbank Group is composed of two business

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segments: Private and Small Business Customers as well as Corporate Clients. Comdirect, owned by Commerzbank, is the German market leader in respect of direct banking and online brokerage services. In 2017, Commerzbank generated gross revenues of 9.2 billion Euros with approximately 49.3 thou. employees.

The German government, currently the largest shareholder of Commerzbank, holds a 15% stake in the share capital through Germany's Financial Market Stabilisation Fund (SoFFin). The largest institutional investors are BlackRock and Cerberus. Each of them holds more than 5% of Commerzbank's shares. The remaining institutional investors hold about 50% of shares in free float.

### **1.3. 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, must 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 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.

### **1.4. 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 29 August 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 manage 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.

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## 1.5. General Meeting and shareholder rights

### 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 does not 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.

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 of voting 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 operations 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;

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- 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 online. 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 this 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 this 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 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 in the course of the General Meeting and make a reply;
- submit 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;
- file a statement of claim for repealing a resolution of the General Meeting where the shareholder voted against the resolution of the General Meeting and after its adoption requested that his/her objection be recorded in the minutes or the shareholder was prevented from participating in the General Meeting without a sound reason, or the shareholder was absent from the General Meeting in the event of defective convening of the General Meeting or adoption of a resolution on a matter not included in the agenda;
- file a statement of claim against the Company for declaring a resolution of the General Meeting adopted in breach of the law invalid.

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.

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

### **Composition of the Management Board**

The Management Board is composed of at least three members appointed for a joint term of 5 years. At least half of the Management Board Members, including the President, must be Polish citizens, have permanent residence in Poland, speak Polish and have experience in the Polish market necessary to manage mBank. 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.

In 2017, four changes in the composition of the Management Board of the bank took place. Two Members of the Management Board, Hans Dieter Kemler - Vice-President of the Management Board, Head of Financial Markets, and Jarosław Mastalerz - Vice-President of the Management Board, Head of Operations and Information Technology, resigned from their functions as of March 31, 2017. Mr Kemler decided to resign as he took up the position of a Member of the Management Board in German Landesbank Hessen Thuringen (Helaba) responsible for financial markets, treasury and asset management. The reason behind the resignation of Mr Mastalerz was his intention to engage in the development and commercialisation of new technologies in the financial sector within the scope of mAccelerator, a project implemented in cooperation with mBank.

Vice-President of the Management Board, Chief Financial Officer, Christoph Heins, resigned from his functions at the bank with effect from June 30, 2017.

On March 30, 2017, the Supervisory Board appointed three new Members of the Management Board until the end of the current term of office of the Management Board.

On April 1, 2017, Krzysztof Dąbrowski was appointed Vice-President of the Management Board, Head of Operations and Information Technology. Prior to taking up this position, since 2014 Mr Dąbrowski was a Managing Director responsible for IT and technology at mBank.

Frank Bock was appointed the Vice-President of the Management Board, Head of Financial Markets, as of May 1, 2017. Starting from the beginning of 2009, Frank Bock was the Managing Director for Treasury at Commerzbank AG. His duties included asset and liability management, market risk management and liquidity management at Commerzbank in Central and Eastern Europe.

Andreas Böger was appointed the Vice-President of the Management Board, Chief Financial Officer as of July 1, 2017. He joined Commerzbank in 2013 as the head of the Corporate Finance division within Commerzbank's Group Development and Strategy.

Furthermore, on September 12, 2017, Vice-President of the Management Board, Head of Corporate and Investment Banking, Przemysław Gdański, resigned from his functions at the bank. The resignation took effect as of October 25, 2017. On that date, the Supervisory Board of mBank appointed Adam Pers, Managing Director for Financial Markets, on the position of the Vice-President of the Management Board, Head of Corporate and Investment Banking.

Please find below the composition of the Management Board of mBank as at December 31, 2017:

1. Cezary Stypułkowski – President of the Management Board, Chief Executive Officer
2. Frank Bock - Vice-President of the Management Board, Head of Financial Markets
3. Andreas Böger – Vice-President of the Management Board, Chief Financial Officer
4. Krzysztof Dąbrowski - Vice-President of the Management Board, Head of Operations and Information Technology
5. Adam Pers - Vice-President of the Management Board, Head of Corporate and Investment Banking
6. Lidia Jabłonowska-Luba – Vice-President of the Management Board, Chief Risk Officer
7. Cezary Kocik – Vice-President of the Management Board, Head of Retail Banking

Detailed information on mBank Management Board Members is presented below:

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



Cezary Stypułkowski holds a PhD in law from the University of Warsaw. In 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. In 2003, he was appointed the President of the Management Board of PZU Group and held this function for three years. From 2006 to 2010, he worked for J.P Morgan in London, from 2007 as the Managing Director of J.P. Morgan Investment Bank in Central and Eastern Europe. Cezary 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, co-chair of the Emerging Markets Advisory Council of the Institute of International Finance in Washington (IFF).

Mr Stypułkowski was appointed the President of the Management Board of mBank on August 2, 2010. He has been acting as the President of the Management Board of the Bank as of October 1, 2010. The Polish Financial Supervision Authority approved his appointment on October 27, 2010.

### **Frank Bock - Vice-President of the Management Board, Head of Financial Markets**



Mr Bock graduated from the Technical University in Karlsruhe (Germany) with specialisation in financial engineering and IT.

During his professional career, Frank Bock gained considerable experience in the scope of risk and treasury management in numerous institutions in Germany, the USA (New York) and Great Britain (London). Starting from the beginning of 2009, Frank Bock was the Managing Director for Treasury at Commerzbank AG. His duties included asset and liability management, market risk management and liquidity management at Commerzbank in Central and Eastern Europe, as well as functional support in strategic subsidiaries of Commerzbank: Comdirect, Commerz Real and mBank. Previously, as the Asset and Liability Management Director in Group Capital and Treasury Management of Dresdner Bank AG in Frankfurt am Main, he was responsible for the management of market risk and liquidity portfolio. Prior to joining Dresdner Bank AG, Mr Bock worked for WestLB AG in Düsseldorf as Credit Treasury Head in Group Treasury and was a senior manager for risk management.

Vice-President of mBank's Management Board, Head of Financial Markets since May 1, 2017.

### **Andreas Böger- Vice-President of the Management Board, Chief Financial Officer**



He studied in Frankfurt and San Diego, graduated from the Frankfurt School of Finance & Management and holds the CFA certificate.

He started his professional career in HypoVereinsbank in Munich in 1994, where he headed the team responsible for assets and liability management and capital advisory. Since 2003, Andreas Böger worked in Deutsche Bank in Frankfurt. In 2007-2013, he was a managing director of Global Capital: Markets and Capital Solutions Europe & CEEMEA at Deutsche Bank in London. Mr Andreas Böger joined Commerzbank in 2013. Prior to taking up the position at mBank, he managed the corporate finance division within Commerzbank's Group Development and Strategy. His duties included preparation of the strategic balance sheet and management of Commerzbank Group's capital, as well as other tasks related to finance and regulatory activities.

He has been the Vice-President of the Management Board of mBank, Chief Financial Officer since July 1, 2017.

**Krzysztof Dąbrowski - Vice-President of the Management Board, Head of Operations and Information Technology**



Mr Dąbrowski graduated from Warsaw University of Technology, Faculty of Electronics and Information Technology. In 2011, he completed the Executive MBA programme at the University of Warsaw and the University of Illinois.

In 1995-2003, he worked in the Internet and telecommunications industry for Polska Online and TDC Internet, where he was responsible for the development of hosting systems and services. In 2004-2011, as the head of the Software Development Department, he co-created the Polish service centre of F. Hoffman-La Roche. In the following years, as the CTO of Allegro Group, Krzysztof Dąbrowski supervised one of the biggest agile transformations in the region. Since 2014, he performed the function of the managing director for IT and technology at mBank.

Vice-President of mBank's Management Board, Head of Operations and IT since April 1, 2017.

**Adam Pers - Vice-President of the Management Board, Head of Corporate and Investment Banking**



Adam Pers graduated from the Faculty of Economics of the Academy of Economics in Poznań. In 2008, he completed an MBA programme organised by SGH Warsaw School of Economics. He gained expertise in the field of banking both at university and in three institutions operating on the Polish market. He commenced his professional career as an intern in Wielkopolski Bank Kredytowy S.A., then he worked in Raiffeisen Bank Polska S.A. Group for many years, at first in back office, then in corporate banking and finally in the financial markets

area. In Pekao S.A., he was responsible for strategic projects concerning the reshaping of the dealing room and for one of the pillars of the bank's strategy and during the financial crisis, as the operational committee member, he was responsible for the bank's liquidity. In RBI Group, he was awarded the TOP Performer and Leader of the Year title. He joined BRE Bank/mBank Group in 2012, where at first he was responsible for restructuring in the area of the financial markets sales. Then, as a managing director he also supervised the integration of the area of cooperation with financial institutions and finally, the integration with the trading area.

Vice-President of mBank S.A. Management Board, Head of Corporate and Investment Banking since October 26, 2017.

**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 the Head of Financial Institutions & Public Sector Division and since November 2003 as the 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 the 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, Lidia 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, Lidia Jabłowska-Luba held the position of the Vice-Chairwoman 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.

Vice-President of mBank's Management Board since April 12, 2013.

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



He 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, Cezary 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, 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.

Vice-President of mBank's Management Board since April 1, 2012.

### **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: Andreas Böger)
- Assets and Liabilities Management Committee of mBank Group (chairperson: Frank Bock)
- Foreign Branch Supervision Committee of mBank S.A. (chairperson: Cezary Kocik)
- Credit Committee of mBank Group (chairperson: Lidia Jabłowska-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: Krzysztof Dąbrowski)
- Data Quality and Information System Development Committee (chairperson: Andreas Böger).

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 based on shares is presented in Note 46 of the IFRS Consolidated Financial Statements of mBank S.A Group for 2017 and in Note 44 of the IFRS Financial Statements of mBank S.A.

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.

	Remuneration paid in 2017 (in PLN)			
	Basic remuneration	Other benefits	Bonus for 2016	Deferred bonus*
1. Cezary Stypułkowski	2,661,046	237,960	460,831	575,000
2. Lidia Jabłonowska-Luba	1,500,000	173,320	250,000	320,000
3. Frank Bock	1,061,379	229,370	-	-
4. Andreas Böger	797,633	68,338	-	-
5. Krzysztof Dąbrowski	1,125,000	87,939	-	-
6. Cezary Kocik	1,500,000	189,036	250,000	350,000
7. Adam Pers	272,727	19,266	-	-
<b>In total</b>	<b>8,917,785</b>	<b>1,005,229</b>	<b>960,831</b>	<b>1,245,000</b>

\* In 2017, the second deferred installment was paid as part of the settlement of the cash portion of the bonus for 2014 and the first deferred tranche as part of the settlement of the bonus part of cash for 2015.

	Remuneration paid in 2017 (in PLN)				
	Basic remuneration	Other benefits	Bonus for 2016	Deferred bonus*	Severance payment
<b>Remuneration of former Members of the Management Board who ceased to perform their functions in 2017</b>					
1. Christoph Heins	776,684	269,061	125,000	-	
2. Hans-Dieter Kemler	500,000	127,984	200,000	320,000	
3. Jarosław Mastalerz	665,926	101,811	250,000	350,000	
4. Przemysław Gdański	1,442,587	168,052	250,000	320,000	1,500,000
<b>Remuneration of former Members of the Management Board who ceased to perform their functions in 2016</b>					
1. Jörg Hessenmüller			125,000	340,000	

\* In 2017, Members of the Management Board who ceased to perform their functions in 2017 and Joerg Hessenmueller received the second deferred tranche as part of the settlement of the cash portion of the bonus for 2014 and the first deferred tranche as part of the cash bonus settlement for 2015.

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

\*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*	cash settlement of the incentive program based on Commerzbank shares **
<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	
<b>Remuneration of former Members of the Management Board who ceased to perform their functions in 2012</b>					
1. Christain Rhino					134,206

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

\*\* The settlement concerns the incentive program for the Management Board Members of 2008 in part based on Commerzbank shares. In 2016, Christian Rhino received a cash equivalent for Commerzbank shares as part of the settlement of the third tranche of the incentive program for 2012.

### 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.

The 30<sup>th</sup> Annual General Meeting of mBank S.A. held on March 30, 2017 elected the following 12 Members of the Supervisory Board of mBank for a joint term of three years:

1. Maciej Leśny – Chairman of the Supervisory Board
2. Stephan Engels – Deputy Chairman of the Supervisory Board
3. Tomasz Bieske – Member of the Supervisory Board
4. Andre Carls – Member of the Supervisory Board
5. Marcus Chromik – Member of the Supervisory Board
6. Janusz Fiszer – Member of the Supervisory Board
7. Mirosław Godlewski – Member of the Supervisory Board
8. Jörg Hessenmüller – Member of the Supervisory Board
9. Thorsten Kanzler – Member of the Supervisory Board
10. Michael Mandel – Member of the Supervisory Board
11. Teresa Mokrysz – Member of the Supervisory Board
12. Agnieszka Słomka-Gołębiowska – Member of the Supervisory Board

Detailed information on mBank Supervisory Board Members as at December 31, 2017, is presented in the table below.

#### **Maciej Leśny - Chairman of the Supervisory Board**

Maciej Leśny graduated from the Faculty of Economic Sciences at Warsaw University in 1969. 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 a post-graduate course and training courses at universities in the USA: Michigan University (Business School of Administration) and De Paul University (Chicago). In 1992-1993, as a holder of scholarship granted by the US government, Mr Leśny studied at the American University in Washington, DC. During his scholarship time, he took part in 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). Then, until December 2001, he was a Member of the Supervisory Board. In 2004, Mr Leśny was re-elected the Chairman of the Supervisory Board.

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

Mr Engels is a graduate of the University of St. Gallen in Switzerland. In the period of 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 the Chief Financial Officer at debis AirFinance B.V. In 2000, Mr Engels joined DaimlerChrysler Bank AG as the Member of the Board for Credit, and then CFO and IT. In 2003, he took the position of the Member of the Board for Finance, Controlling, Risk Management & Strategy at DaimlerChrysler Services AG. From 2007 to 2012, he was a Member of the Executive Committee of Mercedes-Benz Car Group for Finance & Controlling and the Head of Management Group Controlling at Daimler AG.

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

#### **Tomasz Bieske - Member of the Supervisory Board**

Mr Bieske studied economy at the University of Cologne. He worked in Dresdner Bank's head office in Frankfurt for six years. In 1990, Mr Bieske co-founded Arthur Andersen in Poland and became the Head of Financial Markets Group responsible for cooperation with financial sector clients. He participated in most key projects in the financial services sector including preparation of public offerings of PKO BP S.A and Kredyt Bank S.A. as well as audits of financial statements of the National Bank of Poland, PKO BP S.A., Pekao S.A., Getin Holding and a number of other banks. He managed many advisory projects in the banking sector.

Since 2011, he has been participating in the work of the committee for legal and business regulatory changes of the cooperative banking sector and closely cooperating with the Polish Bank Association (Związek Banków Polskich) and the National Association of Cooperative Banks (Krajowy Związek Banków Spółdzielczych). Tomasz Bieske has professional qualifications of a Polish statutory auditor. Until June 30, 2013, he worked for Ernst & Young.

#### **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 held positions in corporate finance and capital markets areas in Frankfurt. Later he became the Executive Director of the investment banking line 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 he served as the company's CFO and from November 2004 to March 2008 as its CEO. From March to September 2008, he was the Vice-President of the Management Board and CFO of BRE Bank S.A.

From March 2008 to December 2013, Dr. Carls was the CEO of Commerzbank Auslandsbanken Holding AG and managed the Central & Eastern Europe Holding segment at Commerzbank.

In the years 2014-2015, Dr. Carls took over the position of Managing Director of the segment of medium-sized corporate clients for the northern regions and western Germany, while from 2015 he is responsible for the Western Germany region.

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

Marcus Chromik studied physics in Göttingen, Kiel and Munich. He also spent some time in the US, where he 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, being responsible for, among other things, new issues and syndication, liquidity management and Credit Treasury. Later he served as the Chief Market Risk Officer in Commerzbank's markets and corporates segment for more than three years, where he was responsible for the Bank's market and liquidity risk management. As of 2012, Dr Chromik became a Divisional Board Member, Chief Credit Risk Officer at Commerzbank.

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

#### **Janusz Fiszer - Member of the Supervisory Board**

Dr. Janusz Fiszer is a legal advisor and a certified tax advisor. He is a graduate of the Faculty of Law and Administration of the University of Warsaw, a specialist in the field of tax and financial law. Since 1980, Janusz Fiszer has been an employee of the University of Warsaw, the Faculty of Management. In addition, since 1991, he has been a senior advisor at the White & Case international law firm and also, from 1998 to 2012, he served as partner in this company. From 2012 to 2013, Dr Fiszer was a partner in the tax & legal department of the PricewaterhouseCoopers (PwC) international advisory company and in January 2014, he joined the GESSEL law firm as a partner.

Moreover, he is a lecturer in international tax law at the Postgraduate Programme of International Tax Strategies at Warsaw School of Economics (SGH). Janusz Fiszer was a scholarship holder of the University of Kansas School of Business in Lawrence, Kansas, USA (1982-1983) and of Deutscher Akademischer Austauschdienst (DAAD) as well as of the Fritz Thyssen Foundation (Fritz Thyssen Stiftung) at the University of Munich in Germany (1988-1989 and 1990). Since 1993, he has been a member of the editorial board of the *Monitor Podatkowy* monthly journal. Since the 1990s, he has worked as a correspondent for the *Tax Notes International* professional periodical in the USA. Since 2004, he has been writing regular commentaries for the *Dziennik Gazeta Prawna* daily. Janusz Fiszer is a co-founder and a member of the Supervisory Board of the Polish branch of the International Fiscal Association (IFA).

#### **Mirosław Godlewski - Member of the Supervisory Board**

Mirosław Godlewski completed the MBA programme at Warsaw University of Technology, the MBA programme at Ashridge Management College and Harvard Business School Advanced Management Program.

He is the Executive Chairman of Apteka Gemini, Senior Advisor at BCG, a Member of the Supervisory Board of Celon Pharma S.A., a Member of the Supervisory Board of Netia S.A. and the so-called "Angel Investor" at Hedgehog Fund.

Mr Godlewski was a member of the Supervisory Board at ABC Data SA and a member of the Nomination and Remuneration Committee. In 2007-2014, he was the President and CEO of Netia S.A. He also held

executive positions with Opczno S.A., Pepsi Cola General Bottlers-Polska Sp. z o.o., DEC Sp. z o.o. and MEMRB Polska.

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

Jörg Hessenmüller graduated from Hochschule für Bankwirtschaft in Frankfurt am Main in 1997 and was awarded the title of Master 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 the 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., Chief Financial Officer.

Since July 2016, Mr 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, holding various positions in the treasury and risk management area in Frankfurt, New York, Sydney and London.

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

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

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

He is a graduate of Business Administration at the University of Münster. Between 1986 and 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 Head of Business Development for the Private Customer Segment, and then the Group Manager for Private and Business Customers. In 2008, he was appointed CEO of Comdirect Bank AG. Since 2010, he has served as the Divisional Board Member for Private Customers at Commerzbank AG. In May 2016, Michael Mandel was appointed the 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**

Ms Mokrysz graduated from 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 an international business. As one of the owners, Ms Mokrysz runs eight Mokate enterprises headquartered in Poland and in other countries of Central Europe. She built production plants in the Polish towns of Żory and Ustroń from scratch and expanded a production plant near Prague (producing coffee, tea and intermediate products for the food industry). She has successfully launched her products in several dozen countries on all the continents.

In 2000, the International Association of Women Entrepreneurs from Los Angeles awarded her the title of the "Most Entrepreneurial Woman in the World". Moreover, Ms Mokrysz received a number of prestigious awards in Poland and abroad, including the "Leader of the Decade" title granted by *Gazeta Wyborcza*, and the "Success of the Decade" title granted by the *Businessman Magazine*. She funds

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scholarships for talented and underprivileged young people and provides financial support to health care institutions, nursing care homes, orphanages and schools.

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

Ms Słomka-Gołębiowska holds PhD in economics. She is a graduate of Warsaw School of Economics specializing in finance and banking and completed the MBA programme of the French Institute of Management (IFG). She obtained her PhD degree at Warsaw School of Economics (SGH). Ms Słomka-Gołębiowska works as a lecturer at Warsaw School of Economics and she conducts research into corporate governance. She attended several Executive Education courses, e.g. the IESE-Harvard Business School programme.

From 2006 to 2009, she was 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. Agnieszka Słomka-Gołębiowska was a holder of the Alexander von Humboldt Fellowship at the University of Münster and the Polish-American Fulbright Fellowship at the University of California, Berkeley. She was also a visiting scholar at universities in Cambridge (MIT), Tucson (UOA), Münster, 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.

The four independent members of the Supervisory Board are: Tomasz Bieske, Janusz Fiszer, Mirosław Godlewski and Agnieszka Słomka-Gołębiowska. Maciej Leśny and Teresa Mokrysz do not meet the independence criterion due to the fact that they have been sitting on the Supervisory Board for over twelve years.

Andre Carls, Marcus Chromik, Stephan Engels, Jörg Hessenmüller, Thorsten Kanzler and Michael Mandel 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 Act and taking into account relevant qualifications for the functions assigned to them.
  - Defining the terms of contracts and remuneration of the Management Board.
  - Authorizing the Chairperson of the Supervisory Board to represent the bank in agreements with the Management Board Members, including the conclusion of management contracts with Management Board Members.
  - Approving conclusion or amendment of any significant contract or agreement with the Members of the Management Board or the Supervisory Board.
  - Approving conclusion, amendment or termination of any significant affiliation or co-operation agreements.
  - Analyzing reports of the Internal Audit Department Director received at least once per year.
- Meetings of the Supervisory Board are convened by the Chairperson 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, no less frequently than 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 and Nomination Committee, the Risk Committee, the Audit Committee, and the Remuneration Committee. Members of the Committees are presented below (in the first place - Chairperson of the Committee).

Executive and Nomination Committee	Risk Committee	Audit Committee	Remuneration Committee
Maciej Leśny - Przewodniczący	Marcus Chromik – Przewodniczący	Tomasz Bieske - Przewodniczący	Andre Carls - Przewodniczący
Andre Carls - Członek	Mirosław Godlewski - Członek	Andre Carls - Członek	Tomasz Bieske - Członek
Stephan Engels- Członek	Thorsten Kanzler - Członek	Janusz Fiszer - Członek	Stephan Engels - Członek
Teresa Mokrysz- Członek	Agnieszka Słomka- Gołębiowska - Członek	Jörg Hessenmüller - Członek	Maciej Leśny - Członek
		Agnieszka Słomka- Gołębiowska - Członek	

The tasks of the Executive and Nomination Committee involve, in particular, exercising regular supervision over the bank's activity 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 usufruct rights or interests in real estate, shares in companies and partnerships, and other fixed assets if the value of a transaction 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 bankruptcy proceeding with the possibility to make an arrangement or other settlement with the bank's debtor or in

the case of disposal of assets so acquired. The Committee is also responsible for recruitment for the positions of Management Board and Supervisory Board Members.

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 posing 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 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 issues related to 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 competing 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 on variable components of remuneration paid to persons holding managerial positions at the bank. Moreover, the Committee monitors the level and structure of remuneration paid to senior managers.

All standing committees of the Supervisory Board make reports on their activity in the past reporting year 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. 50 regarding the remuneration rules for the Members of the Supervisory Board of mBank S.A. adopted by the 30<sup>th</sup> Annual General Meeting of mBank S.A. held on March 30, 2017. 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 the participation in standing committees: 50% of monthly remuneration of a Supervisory Board Member for the first committee and 25% for participating in another committee. No additional remuneration is paid to a Member of the Supervisory Board who sits on three or more Standing Committees of the Supervisory Board. However, a Supervisory Board Member performing the function of the Chairperson of the Audit Committee of the Supervisory Board of the bank is entitled to additional remuneration equal to 80% of the sum of remuneration he or she is paid.

The remuneration of the Supervisory Board for 2016-2017 is presented in the table below.

	Remuneration paid in 2017 (in PLN)	Remuneration paid in 2016 (in PLN)
1. Maciej Leśny	367,235	367,235
2. Stephan Engels	-	-
3. Tomasz Bieske	319,656	-
4. Andre Carls	279,000	252,000
5. Marcus Chromik	-	-
6. Janusz Fiszer	162,000	-
7. Mirosław Godlewski	162,000	-
8. Joerg Hessenmueller	210,000	-
9. Thorsten Kanzler	216,000	216,000
10. Michael Mandel	-	-

11.	Teresa Mokrysz	220,225	220,225
12.	Agnieszka Słomka-Gołębiowska	248,435	221,435
	Wiesław Thor*	37,812	149,435
	Waldemar Stawski*	55,812	221,435
	Marek Wierzbowski*	54,000	216,000
	Martin Zielke**	-	-
	Martin Blessing***	-	-
	<b>Razem</b>	<b>2,332,175</b>	<b>1,863,765</b>

\* The term of office expired on 30 March 2017.

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

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

### Activity of the Supervisory Board and its Committees in 2017

In 2017, the Supervisory Board held six meetings and adopted 81 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, KNF 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 the set of financial statements, reports and other materials for the Annual General Meeting.
- Adoption of the Financial Plan for 2018 and the Medium-Term Plan for 2018-2021.
- Approval of the assessment of mBank's application of the Corporate Governance Principles for Supervised Institutions in 2016.
- Allocation of funds to mBank Foundation.
- Approval of changes in the composition of the Management Board of mBank S.A.
- Approval of the general organisational structure of mBank and the division of powers among Members of the Management Board and Managing Directors of mBank.
- Approval of the Identification and Remuneration Policies for the employees of mBank S.A.
- Approval of documents of the Internal Audit Department, including the 2016 Report and the 2017 Audit Plan.
- Approval of the Report on Compliance Risk Management at mBank S.A. and the Brokerage Bureau Compliance Report.
- Approval of reports on the performance of outsourcing tasks and supervision over claim and complaint handling processes.
- Approval of the Conflict of Interest Management Policy of mBank S.A.
- Approval of the documentation and reports on the review of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) at mBank Group.
- Approval of strategies requiring approval of the Risk Committee and the Supervisory Board, including the mBank Group Risk Management Strategy; the Market, Liquidity and Concentration Risk Management Strategies; the Corporate and Retail Credit Risk Management Strategies; the Operational Risk Management Strategy as well as the Reputation Risk Management Strategy.
- Approval of policies requiring approval of the Risk Committee and the Supervisory Board, including the Models Management Policy and mBank Group Capital Management Policy.
- Approval of the Book of Limits - Rules for Limiting Risk of mBank Group and approval of strategic risk limits, including their values and validity periods.
- Approval of the Information Policy of mBank S.A. on Capital Adequacy.
- Approval of the Contingency Plan in the event of a threat of losing financial liquidity by mBank S.A.

- Approval of the Recovery Plan of mBank Group.
- Approval of the Business Continuity Management Policy of mBank S.A.
- Approval of the Bancassurance Policy of mBank S.A.
- Consent to mBank's conclusion of amending annexes to agreements signed with AXA.
- Consent to termination of the Cooperation Agreement and the Investment Agreement signed with Orange Polska S.A.
- Creation of the Supervisory Board Working Group on IT.
- Adoption of the consolidated text of mBank's By-laws and approval of the Rules of the Supervisory Board of mBank S.A. and the Rules of the Audit Committee of the Supervisory Board of mBank S.A.
- Approval of policy on selection of an audit firm and the performance of services other than audit of financial statements by the firm auditing the financial statements of mBank S.A.
- Approval of the procedure for selecting an audit firm at mBank S.A.
- Consent to the Vice-president of the Management Board's participation in authorities of a company from outside mBank Group.

In addition, at its meetings in 2017, the Supervisory Board discussed and assessed the current results of mBank Group and individual business lines taking into account the financial plan.

Attendance of the Supervisory Board Members at Supervisory Board meetings in 2017 is presented in the table below.

	Attendance*
Tomasz Bieske (since March 30, 2017)	4/4
Andre Carls	5/6
Marcus Chromik	6/6
Jörg Hessenmüller	5/6
Stephan Engels	6/6
Mirosław Godlewski (since March 30, 2017)	3/4
Janusz Fiszer (since March 30, 2017)	4/4
Thorsten Kanzler	6/6
Maciej Leśny	6/6
Michael Mandel	5/6
Teresa Mokrysz	5/6
Agnieszka Słomka-Gołębiowska	6/6
Waldemar Stawski (since March 30, 2017)	2/2
Wiesław Thor (since March 30, 2017)	2/2
Marek Wierzbowski (since March 30, 2017)	2/2

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

The Executive Committee worked until March 30, 2017. During that period the Committee conducted the initial selection of candidates for the Supervisory Board and three new candidates for the position of Management Board Members in accordance with the Adequacy Policy. Following the Supervisory Board's resolution of March 30, 2017, the new Executive and Nomination Committee was created and took over the functions and responsibilities of the Executive Committee. The Executive and Nomination Committee exercised ongoing supervision over the activity of the bank in the periods between the Supervisory Board's meetings in 2017. In October 2017, the Executive and Nomination Committee conducted the initial recruitment for the position of a Management Board Member.

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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 Audit Committee held four meetings in 2017 and discussed, among others, the following:

- Compliance of the process of preparing financial statements with the applicable law.
- Cooperation with the external auditor.
- Conclusions from the audit of the annual financial statements of mBank Group for 2016.
- Scope of the audit of the annual financial statements for 2017.
- Assessment of the internal control system at mBank in 2017.
- Ongoing supervision of proposed changes to mBank's internal control system in 2017.
- Ongoing supervision over the activity of the Internal Audit Department.
- Approval of reports of the Compliance Department.
- Approval of the policy on mBank's selection of the external auditor.
- Approval of the policy on mBank's cooperation with the external auditor.

The Audit Committee provided the Supervisory Board with, among others, recommendations on the approval of: Reports of the Management Board on the activity of mBank and mBank Group in 2016, and the financial statements for 2016, the annual report on compliance risk management at mBank in 2016, the report of the Outsourcing Coordinator on the implementation of the Outsourcing Policy at mBank in 2016 and the Audit Plan of the Internal Audit Department for 2017.

In 2017, 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, market risk, interest rate risk, non-financial risks including operational 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. The Committee held an additional meeting in May during which it discussed the limits on mBank Group's exposure to the State Treasury and the central bank.

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 addition, the Risk Committee issued a positive recommendation regarding the approval of the new Concentration Risk Management Strategy of mBank Group.

In 2017, the Risk Committee issued:

- 13 recommendations concerning exposures subject to single entity risk in accordance with the parameters defined by the Supervisory Board;
- 23 decisions concerning 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 2017 and issued 14 decisions. During its meetings the Remuneration Committee discussed and issued recommendations for the Supervisory Board regarding among others:

- Adoption of periods in 2017 during which Risk Takers could acquire bonds and/or shares issued by mBank S.A. under the Incentive Programme.
- Assessment and definition of the MbO objectives for the Members of the Management Board of mBank.
- The Risk Takers Identification Policy of mBank.
- The Remuneration Policy for mBank employees.

## 1.7. mBank's Diversity Policy

Being guided by the principle 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 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. Diversity management contributes to creating an organisational culture based on openness and tolerance where everyone feels appreciated and respected and is offered career development opportunities.

Pursuant to 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.

There is one woman sitting on mBank's seven-person Management Board.

Management Board of mBank						
	31.12.2015		31.12.2016		31.12.2017	
	number of employees	%	number of employees	%	number of employees	%
Women	1	14%	1	14%	1	14%
Men	6	86%	6	86%	6	86%
<b>Total</b>	<b>7</b>	<b>100%</b>	<b>7</b>	<b>100%</b>	<b>7</b>	<b>100%</b>

There are two women sitting on the twelve-person Supervisory Board.

Supervisory Board of mBank						
	31.12.2015		31.12.2016		31.12.2017	
	number of employees	%	number of employees	%	number of employees	%
Women	2	17%	2	17%	2	17%
Men	10	83%	10	83%	10	83%
<b>Total</b>	<b>12</b>	<b>100%</b>	<b>12</b>	<b>100%</b>	<b>12</b>	<b>100%</b>

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.

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 management team is aware of the importance of diversity for the work environment and takes part in training sessions based on recognising differences and deriving benefits from that. The Success Insights method is used to identify employees' abilities and skills. The method helps to identify personality traits that can be used at work.