

**REPORT**  
**OF THE SUPERVISORY BOARD OF mBANK S.A.**  
**on its activities in 2021**  
**prepared for the Ordinary General Meeting**  
**held on 31 March 2022**

The Supervisory Board presents this report in accordance with Article 382 § 3 of the Code of Commercial Companies, § 70 (1) (14) and § 71 (1) (12) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the provisions of the By-Laws of mBank S.A. ("the Bank's By-Laws"), the Rules of the Supervisory Board of mBank ("the Supervisory Board Rules"), the Best Practice of GPW-Listed Companies, the Principles of Corporate Governance for Supervised Institutions ("the Corporate Governance Principles") adopted by Resolution No. 218/2014 of the Polish Financial Supervision Authority of 22 July 2014, and Recommendation Z of the Polish Financial Supervision Authority concerning the principles of internal governance in banks ("Recommendation Z").

**I. Activity of the Supervisory Board of mBank S.A.**

In the past reporting period, the Supervisory Board worked in the following composition:

Chairwoman	Prof. Agnieszka Słomka-Gołębiowska
Deputy Chairman	Jörg Hessenmüller (up to 30 September 2021) Dr Bettina Orlopp (as of 1 October 2021)
Members	Tomasz Bieske Dr Marcus Chromik Miroslaw Godlewski Aleksandra Gren Dr Bettina Orlopp (up to 30 September 2021) Sabine Schmittroth (up to 24 March 2021) Arno Walter (as of 25 March 2021) Dr Armin Barthel (as of 25 October 2021)

In 2021, the composition of mBank's Supervisory Board ensured adequate supervision over the nature and scale of the Bank's activities. In accordance with applicable regulations, half of the members of the Supervisory Board, including its Chairwoman, hold Polish citizenship, speak Polish and have experience in the Polish market. The composition of the Supervisory Board, the versatility and the rich and varied professional experience, knowledge and skills of its members reflect the Bank's diligence in ensuring supervisory functions in all areas of mBank's business. In addition, the members of the Supervisory Board, in particular the members of the Audit Committee, have the necessary expertise in accounting or finance. Of the 8 members of the Supervisory Board, 3 are women.

In accordance with the Supervisory Board Rules, the Best Practice of GPW-Listed Companies and the Corporate Governance Principles, the following members of the Supervisory Board met in 2021 the independence criteria set out in the Act on Statutory Auditors, Audit Firms and Public Supervision: Tomasz Bieske, Miroslaw Godlewski, Aleksandra Gren, and Prof. Agnieszka Słomka-Gołębiowska. These persons do not have any actual significant relationship with a shareholder holding at least 5% of the total vote in the company.

Members of the Bank's Supervisory Board and Management Board are selected in accordance with the Bank's Policy on the Assessment of Qualifications (Suitability), Appointment and Dismissal of Members of the Bank's Body in mBank S.A. ("the Suitability Policy") which ensures that such persons have the expertise, aptitude, professional experience and reputation appropriate to perform the functions entrusted to them. In accordance with the Suitability Policy, a detailed assessment of the suitability of the members of the Supervisory Board was carried out in 2021. The Ordinary General Meeting will also assess the suitability of the members of the Supervisory Board for the past year.

The Bank has established a diversity policy for members of the Management Board and the Supervisory Board. The policy is part of the Suitability Policy. The latest amendments to the Suitability Policy were introduced by Resolution No. 182/22 of the Supervisory Board and will be approved by the General Meeting. The Bank takes into account the issue of diversity in selecting and appointing members of the Management Board and proposing candidates for the Supervisory Board. When deciding on the composition of the Management Board, the Supervisory Board aims to ensure its diversity, in particular with regard to age, education, professional experience and the participation of women. The age structure of the Supervisory Board members should be diverse. In addition, the Supervisory Board aims to ensure that its members have a variety of educational and professional backgrounds and experience. The Supervisory Board furthermore pays attention to the issue of adequate participation of women. Compliance with the principle of diversity is monitored. In accordance with the provisions of the Suitability Policy, the Bank aims to have a 30% share of women in the Management Board and the Supervisory Board by 2028. As Principle 2.1 of the Code of Best Practice of GPW-Listed Companies provides that the share of the minority in a given body must be at least 30% to ensure gender diversity in corporate bodies, whereas the 30% share applies to both bodies jointly under the Bank's diversity policy, the Bank did not literally comply with Principle 2.1 in 2021. Women made up 37.5% of the Supervisory Board as at 31 December 2021. On the other hand, only men sat on the Bank's Management Board. In selecting members of the Management Board, the Supervisory Board was guided by their competences and by the Bank's Suitability Policy. The frequency of changes in the composition of the Management Board and the Supervisory Board in principle depends on the duration of the term of office in order to ensure stability of the company's governance. The term of office of the Management Board is 5 years and the current term of office ends in 2023. The term of office of the Supervisory Board is 3 years and the current term of office ends in 2023. During this period, the Bank will continue various development programmes

that support women to develop their leadership competences, including development of managerial self-awareness, preparing women for key positions.

Currently there are 2 women (employed) in the highest managerial positions below the level of the Management Board, i.e., as Managing Directors, which represents 28% of all persons employed at this management level. In addition, the Bank is currently developing a diversity policy, which will apply not only to the Management Board and the Supervisory Board, but also to the entire staff. The aim is to ensure diversity in a broad sense at all levels of the organisation.

In accordance with principle 8.9 of Recommendation Z on the principles of internal governance in banks issued by the Polish Financial Supervision Authority, the Supervisory Board of mBank performs a self-assessment of the adequacy of internal regulations concerning the functioning of the Supervisory Board and the effectiveness of its supervisory functions.

In the assessment of the Supervisory Board, mBank's By-Laws, the Supervisory Board Rules, the rules of all Committees operating within the Supervisory Board, and other internal regulations ensure that the Supervisory Board fully and adequately performs its supervisory functions. These regulations describe in detail the scope of activities of both the Supervisory Board and its Committees. The scope of activities included in the By-Laws and the different Rules reflects the requirements of the Banking Law, the Recommendations of the Polish Financial Supervision Authority, the Principles of Corporate Governance of Supervised Institutions, the Best Practice of GPW-Listed Companies, EU regulations, and generally applicable law. In order to streamline the supervisory functions, there are Committees within the Supervisory Board which supervise in detail various areas of the Bank's activities. In the assessment of the Supervisory Board, the Bank's internal regulations fully ensure the effectiveness of the Supervisory Board's supervisory functions.

In the past reporting period, the Supervisory Board held 9 meetings and adopted 111 resolutions. The resolutions covered all areas of the Bank's activity and were in line with the scope of supervisory functions defined by the requirements of generally applicable law (including the Banking Law), recommendations of the Polish Financial Supervision Authority, corporate governance rules, as well as the requirements described in the Bank's By-Laws and the Supervisory Board Rules. Due to the ongoing COVID-19 pandemic, meetings of the Supervisory Board were held through means of direct remote communication. In addition to regular meetings, the Supervisory Board remained in close contact with the Management Board and monitored the situation of the Bank on an on-going basis.

Last year, the Supervisory Board at its meetings systematically discussed and evaluated periodic reports of the Management Board on the performance of the mBank Group and individual business lines in relation to the financial plan. In line with regulatory requirements, the Supervisory Board regularly discussed detailed reports on risk management and on the Bank's activities in the following areas: IT and IT security, bancassurance, supervision of the process of handling claims and

complaints, performance of outsourcing tasks, reports on compliance activities in the Brokerage Office of mBank and on the provision of brokerage services on the OTC (over-the-counter) derivatives market. The Supervisory Board discussed on an on-going basis the situation regarding the CHF mortgage loan portfolio and reports on improvements in the AML/SAN/CFT area, and approved an update of the recovery plans required by the regulator. The Supervisory Board accepted communications addressed to it by the Polish Financial Supervision Authority, including in particular the discussion of the PFSA's changing regulatory requirements and possible scenarios of the current situation. In accordance with the recommendations of the Audit Committee, at its meeting on 26 March 2021, the Supervisory Board adopted the following resolutions: Resolution 89/21 approving the annual report on compliance risk management at mBank S.A. in 2020, Resolution 95/21 approving the report on the assessment of the control function in the mBank Group in 2020, Resolution 96/21 approving the report "Status of the Implementation of the Internal Audit Department Strategy for 2019-2021. Report on the activities of the Internal Audit Department for 2020", and Resolution 97/21 approving the assessment of the adequacy and effectiveness of the internal control system and the risk management system at mBank S.A.

At a special workshop held in September 2021, the Bank's Management Board presented and discussed with the Supervisory Board the detailed assumptions of the new mBank Group strategy "mBank Group Strategy for 2021-2025: From an icon of mobility to an icon of possibility", which sets the directions for the Bank's further development. The Supervisory Board approved the document at its meeting in October 2021.

In accordance with the Best Practice of GPW-Listed Companies, the Supervisory Board issues a positive assessment of the Bank's sponsorship policy. The Bank supports social initiatives, e.g., with the Great Orchestra of Christmas Charity Foundation which raises funds to purchase life-saving equipment for children. Last year, the Bank participated, among others, in programmes of organisations working to raise the level of mathematics education, supporting equal opportunities in education, and promoting exceptionally gifted young people. The Supervisory Board confirms that the funds provided to them were spent rationally and in accordance with the Bank's strategy. The activities listed below implement the ESG strategy and are in line with the Internal Instruction "Procedures for membership in associating organisations, giving donations, and granting and accounting for sponsorship funds".

Table 1.

	Project	Amount (PLN)
support for culture, sport, science	m jak malarstwo – supporting artists by buying their work/promoting art	532 063.81

	CASE – Centre for Social and Economic Research - economic education - organisation of mBank-CASE seminars	104 828.14
support for social organisations	Great Orchestra of Christmas Charity Foundation - donation for statutory purposes	2 238 247.67
	mFoundation - donation for statutory purposes	2 500 000.00

In accordance with the Corporate Governance Principles adopted by the Bank, the Best Practice of GPW-Listed Companies, the requirements of the Act on Auditors and their Self-government, Entities Authorised to Audit Financial Statements and Public Supervision, as well as the recommendations of the Polish Financial Supervision Authority, and pursuant to § 22 of the Bank's By-Laws, the following standing committees operate within the Supervisory Board: the Executive and Nominations Committee, the Risk Committee, the Audit Committee, and the Remuneration Committee. In addition, a new Supervisory Board Committee on Information Technology (IT) was established in March 2021. The appointment of the Committee is related to the increasing number of regulations and challenges for the bank in the field of IT and cyber security and the complexity of these issues.

The Committees of the Supervisory Board carry out their functions in accordance with their rules approved by the Supervisory Board. As a result of the work of the members of the Supervisory Board within the aforementioned Committees, the work of the entire Supervisory Board has been significantly improved and is more efficient. Many resolutions of the Supervisory Board are adopted in accordance with the recommendations of the individual Committees, which discuss and thoroughly analyse specific topics from all areas of the Bank's business in advance.

Pursuant to § 22 (5) of the Bank's By-Laws, all standing committees within the Supervisory Board make available to the shareholders detailed reports on their activities for the past reporting year. Such reports are presented in the set of materials for the Ordinary General Meeting.

In performance of the above obligation, the Supervisory Board presents reports on the activities of the Supervisory Board Committees in 2021:

1. The Executive and Nominations Committee consisted of:

Chairwoman	Prof. Agnieszka Słomka-Gołębiowska
Members	Sabine Schmittroth (up to 24 March 2021) Dr Bettina Orlopp (as of 24 March 2021) Jörg Hessenmüller (up to 30 September 2021) Dr Marcus Chromik (as of 1 October 2021)

The Executive and Nominations Committee held 5 meetings and issued 13 decisions in 2021. The Committee, among others, adopted new provisions of the Suitability Policy, which was updated with new guidelines of the Methodology for assessing the suitability of members of the bodies of entities supervised by the Polish Financial Supervision Authority and Recommendation Z. In accordance with the Suitability Policy and on the basis of the documentation collected, the Committee made a detailed annual assessment of the members of the Management Board and the Supervisory Board, confirming that they have the expertise, aptitude, professional experience and reputation appropriate to perform their functions, and that the composition of the Management Board and the Supervisory Board is appropriate to the scope of the Bank's activities. In addition, the Committee positively assessed the suitability of the new members who joined the Supervisory Board in 2021 and of those members of the Supervisory Board who took up new roles in the Committees of the Supervisory Board.

2. The Audit Committee consisted of:

Chairman	Tomasz Bieske
Members	Aleksandra Gren Jörg Hessenmüller (up to 30 September 2021) Dr Armin Barthel (as of 25 October 2021)

The Audit Committee held 6 meetings and issued 34 decisions in 2021. The Committee regularly supervises the financial reporting process and the functioning of the internal control system, including the execution of the control function, the compliance risk management function, and the internal audit function. The Audit Committee makes recommendations on the Supervisory Board's approval of the annual action plan of the Compliance Department and the long-term strategy of the Internal Audit Department, over which it exercises functional supervision.

The Committee oversees the risk assessment of processes and areas within the Bank presented by the Integrated Risk Management Department, the Compliance Department, and the Internal Audit Department. The Committee issues opinions on the selection of the audit firm and co-operation with the external auditor in non-audit services. The Audit Committee was regularly informed about the Bank's performance and financial position, which was discussed in detail during the Committee's meetings with representatives of the external auditor. The Committee received and reviewed on an on-going basis reports on the effectiveness of the control function and the status of recovery plans, reports on compliance risk management, and reports presenting the results of internal audits and the status of the implementation of recommendations issued. In addition, the members of the Audit Committee and the Chairwoman of the Supervisory Board received reports on all audits conducted by the Internal Audit Department at the Bank and Group companies.

3. The Risk Committee consisted of:

Chairman	Dr Marcus Chromik
----------	-------------------

## Members

Prof. Agnieszka Słomka-Gołębiowska  
Dr Bettina Orlopp  
Miroslaw Godlewski

The Risk Committee held 4 meetings and issued 30 decisions and 8 credit recommendations to the Group Credit Committee in 2021. The minutes of the Risk Committee meetings were circulated to all members of the Supervisory Board for information.

In accordance with the obligations set out in the Bank's By-Laws, the Risk Committee in 2021 exercised on-going oversight of credit risk, market risk, liquidity risk, and non-financial risks (including operational risk) based on reports from the Vice-President of the Management Board, Head of Risk Management, including the quarterly Risk & Capital Monitor and other materials prepared for the Risk Committee.

In 2021, the standing items on the agenda of the Risk Committee meetings included:

- (i) discussion by the Chief Economist of the economic situation in Poland and worldwide and discussion of its impact on the Bank,
- (ii) discussion of the Risk & Capital Monitor containing information on the capital position and the risk profile generated by the mBank Group's activities,
- (iii) information on the portfolio of mortgage loans in CHF,
- (iv) information on on-going and planned ESG activities.

In 2021, the Committee reviewed the mBank Group's internal capital and liquidity adequacy assessment process (ICAAP/ILAAP), the strategy for managing individual risks (retail and corporate credit risk, liquidity risk, market risk, operational risk, reputation risk, concentration risk), and the mBank Group's Capital Management Policy and Capital Contingency Plan.

The Committee took 30 decisions recommending to the Supervisory Board the approval of a number of risk management documents, including the strategies and policies mentioned above, as well as strategic risk limits.

Similar to previous years, the loan portfolios (corporate and retail) were given special attention by the Risk Committee in 2021. In addition to the regular annual review of those portfolios (in March and June, respectively), the quality of the portfolios was discussed as part of the quarterly Risk & Capital Monitor. In view of the boom in the housing market accompanied by rising inflation and interest rate hikes in the second half of the year, the topics discussed broadly included the retail mortgage acceptance policy. In the corporate area, much attention was paid to analyses of risks arising from inflation and the climate transition.

The concentration risk in the corporate portfolio was monitored using the Portfolio Steering Matrix. In addition, the Risk Committee issued 8 recommendations to the mBank Group Credit Committee on exposures with single entity risk, in accordance with the parameters defined by the Supervisory Board.

In the Treasury area, the leading topic of discussion was the management of interest rate risk of the banking book. The Risk Committee members were updated on the Bank's investment strategy for Treasury bonds, including both its impact on the financial results and the impact of the valuation of the bond portfolio on the Bank's capital. The annual review of the financial markets portfolio was discussed in September.

In 2021, the Risk Committee regularly oversaw the Group's sustainability (ESG) activities, with a focus on integrating ESG factors into the lending policy and the credit process.

In the supervision of non-financial risks, the legal risk of the CHF mortgage portfolio remained the most relevant topic, discussed as a standing agenda item. In addition, the Risk Committee members discussed regular reports on cyber threats, fraud (internal and external), reputation risk, and the status of legal disputes. The Risk Committee reviewed the results of the annual Risk Management Effectiveness Self-Assessment and the annual models risk report.

#### 4. The Remuneration Committee consisted of:

Chairwoman	Sabine Schmittroth (up to 24 March 2021) Dr Bettina Orlopp (as of 25 March 2021)
Members	Tomasz Bieske Miroslaw Godlewski Jörg Hessenmüller (up to 30 September 2021) Dr Marcus Chromik (as of 1 October 2021)

The Remuneration Committee held 4 meetings and issued 21 decisions in 2021. The Committee considered matters relating to, among others: the principles of remuneration of members of the Management Board, persons with significant influence on the Bank's risk profile (risk-takers) and mBank employees, setting and accounting for the achievement of MbO targets and determining the amount of bonuses for members of the Management Board and the bonus pool for mBank employees. The Committee also analysed initiatives aimed at bridging the gender pay gap and measures supporting women in taking up senior managerial positions as well as comparing the remuneration of mBank employees with the market. Discussions focused on diversity issues.

In addition, the Remuneration Committee periodically reviewed the Policy on Identification and Remuneration of Persons with Significant Impact on the Bank's Risk Profile (Risk-takers).

#### 5. The IT Committee consisted of:

Chairwoman	Aleksandra Gren (as of 24 March 2021)
Members	Miroslaw Godlewski (as of 24 March 2021)

Jörg Hessenmüller (up to 30 September 2021)  
Dr Marcus Chromik (as of 1 October 2021)

The IT Committee held 3 meetings and issued 2 decisions in 2021. The Committee supports the Supervisory Board in controlling the area of information technology and ICT security at mBank. At its meetings, the IT Committee discussed in detail periodic reports of the Management Board on IT and IT security. The IT Committee approved the Information Technology and Security Strategy 2021-2025 (IT&SEC Strategy), which supports the implementation of the mBank Group Strategy 2021-2025. In today's highly digitalised environment, the IT area and cyber security are becoming key factors in the further development of the innovative business model at mBank.

In the past reporting period, the Supervisory Board performed its statutory duties in accordance with the requirements of the Code of Commercial Companies, the Banking Law, the recommendations of the Polish Financial Supervision Authority, the Best Practice of GPW-Listed Companies, and other formal regulations in the area of on-going supervision of the company's activities.

## **II. Results of the assessment of the Management Board Report and the Financial Statements for 2021**

Pursuant to Article 382 § 3 of the Commercial Companies Code and § 22 (1) of the Bank's By-Laws, the Supervisory Board carried out an assessment of the Financial Statements of mBank S.A. for 2021, the Consolidated Financial Statements of the Bank's Group for 2021, and the Management Board's Report on the Activities of the mBank Group in 2021 as regards their consistency with the books, documents and facts. The above documents will be tabled by the Bank's Management Board at the Bank's Ordinary General Meeting.

The General Meeting entrusted the audit of the Financial Statements for 2021 to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa ("the auditor") in accordance with the recommendation of the Supervisory Board adopted by Resolution 208/20 of 28 February 2020 and Resolution 32 of the XXXIII Ordinary General Meeting of mBank of 27 March 2020.

Having analysed the Management Board's Report on the Activities of the mBank Group, the Financial Statements of mBank S.A. and of the mBank Group, the reports and opinions of the Supervisory Board and its Committees, and having familiarised itself with the auditor's opinion and the audit report, the Supervisory Board confirms that the financial statements and reports in question are reliable and meet the formal and legal requirements. The Supervisory Board further concluded that the presented separate and consolidated Financial Statements of mBank S.A. and the Group give a clear picture of the financial position of mBank S.A. and of the development and achievements of mBank S.A., including the financial results.

In the assessment of the Supervisory Board, the financial statements and reports were prepared in accordance with the applicable provisions of the Accounting Act of 29 September 1994 and the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities.

In making the above assessments, the Supervisory Board took into account the recommendation of the Audit Committee presented at the meeting on 2 March 2021.

As a result, the Supervisory Board approved in the form of resolutions: the Report of the Management Board on the Activities of the Group (including mBank S.A.) in 2021, the Financial Statements of mBank S.A. for 2021, and the Consolidated Financial Statements of the mBank Group for 2021. The Supervisory Board approved, in the form of separate resolutions, the recommendation of the Management Board on the coverage of the loss for 2021 and the distribution of retained earnings.

### **III. Assessment of the Supervisory Board of mBank S.A. on the situation of the company on a consolidated basis, including the assessment of the internal control system and the risk management system**

When issuing its comprehensive opinion on the situation of the Group, the Supervisory Board considers a number of aspects, such as financial standing of the Group, its ability to successfully compete on the market, efficiency of the internal control system, risk management system, compliance and internal audit system, and growth prospects. mBank Group closed 2021 with a loss, despite posting the highest income in its history.

The Group's total income reached PLN 6.1 billion in 2021, which represents an increase by 4.2% from 2020. Net interest income grew by 2.4% year on year and net fee and commission income increased by 25.3%. The rise in operating costs of the Group in 2021 was slower than the growth in income, both in nominal and percentage terms. High profitability and strict cost discipline enabled the Group to bring the cost/income ratio to 40.2% compared with 41.1% in 2020.

Loss allowances for expected credit losses fell. The cost of credit risk reached 76 basis points in 2021, down from 119 basis points in 2020. At the same time, the share of non-performing loans shrank to 3.9% at the end of 2021 from 4.8% a year before.

The cost of legal risk related to foreign currency loans was a major drag on the Group's 2021 financial results.

The lack of the expected resolution of the Supreme Court set back the prospect of a settlement of the key legal issues surrounding foreign currency mortgage loans. A vast majority of rulings issued in 2021 in cases relating to foreign currency mortgage loans were unfavourable to banks. Simultaneously, the number of new

lawsuits filed by borrowers rose. The issue of foreign currency mortgage loans in the context of legal risk was discussed in detail at every meeting of the Supervisory Board.

In December 2021 mBank started a pilot settlement programme under which it offers CHF borrowers to convert their debt into PLN and cancel it partially.

Bearing in mind the aforesaid circumstances and trends, in 2021 the Group set aside a PLN 2,758.1 million provision for legal risk connected with foreign currency loans, of which PLN 1,009.8 million is a provision for the potential costs of a voluntary settlement program with CHF borrowers.

Consequently, mBank Group closed 2021 with a net loss of PLN 1,178.8 million compared with a net profit of PLN 103.8 million a year before.

Despite the 2021 loss, the Group's capital position is strong. Capital ratios remain high, with the Total Capital Ratio of the Group at 16.6% and the Common Equity Tier 1 ratio at 14.2% at the end of 2021. At the same time, the liquidity position of the Group is robust, while its funding profile diversified. In September 2021 mBank placed the first issue of green non-preferred senior bonds counted as eligible liabilities for the purpose of meeting the MREL, which will become effective on a fully loaded basis from 2024.

The Supervisory Board is of the opinion that the provision for legal risk related to foreign currency loans set up in 2021 will act as a stabilising factor and will enable safe operation of the Group in the future.

Capital adequacy ratios well above the supervisory minima set for the Group, safe liquidity profile, a buffer in the form of legal risk provisions, high ability to generate income, and effective cost management prove the Group's sufficient resilience to potential macroeconomic shocks and consequences of materialisation of legal risks posed by mortgage loans.

It is worth stressing that the core business of the Group, understood as mBank Group without the "Foreign currency mortgage loans" segment, posted a net profit of PLN 1,602.7 million, delivering a return on equity of 11.9%.

In 2021 the scale of the Group's operations grew substantially. Assets stood at PLN 199.5 billion as at December 31, 2021, which represents an increase by 11.6% from 2020. The volume of gross loans rose by 8.0% and amounts due to clients up by 16.1% year on year. The Group strengthened its market shares in the strategic areas of operations. Last year the Group supported clients facing liquidity problems, continued to digitalise and automate processes, expanded the range of services offered in remote channels, developed e-commerce solutions, and promoted products supporting sustainable development.

On October 29th, 2021, the Supervisory Board approved the mBank Group Strategy for 2021-2025 entitled From the Icon of Mobility to the Icon of Possibilities. The document encompasses a new ambitious ESG agenda, which is an integral part of

the Strategy. The Supervisory Board strongly believes that the business initiatives and actions planned in the Strategy will be an apt response to the changing market conditions and challenges of the future.

The Bank's risk management system and internal control system are organised on three independent levels – lines of defence.

The internal control system supports the management of the Bank by contributing to ensuring the effectiveness and efficiency of the Bank's operations, the reliability of financial reporting, compliance with risk management principles, and the Bank's compliance with laws and internal regulations.

The internal control system includes:

1. The control function which aims to ensure compliance with control mechanisms relating in particular to risk management in the Bank, which includes positions, groups of people or organisational units responsible for the performance of tasks assigned to this function. The function is carried out in a systematic manner by employees at all organisational levels by means of:

- continuous monitoring, consisting of the examination of selected operations or activities performed at the bank,
- periodic verification, consisting of an examination of selected operations or activities already carried out in order to check the adequacy and effectiveness of the continuous monitoring.

2. The compliance function which is responsible for identifying, assessing, controlling and monitoring the risk of non-compliance of the Bank's operations with the law, internal regulations and market standards, as well as for presenting reports in this respect. The tasks of the compliance function are performed by the Compliance Department.

3. An independent internal audit function which aims to examine and assess, in an independent and objective manner, the adequacy and effectiveness of the risk management system and the internal control system. The tasks of the independent internal audit function are performed by the Internal Audit Department.

The Audit Committee provides the Supervisory Board with its opinion on the assessment of the internal control system based on information from the Bank's Management Board on the functioning of the internal control system, reports on the effectiveness of the control function, significant and critical irregularities and the status of recovery plans, reports on compliance risk management, the assessment from an internal audit perspective, as well as the results of audits. The Committee takes into account in its opinion information from the parent company, subsidiaries, the auditor, supervisory institutions (e.g., the Polish Financial Supervision Authority), as well as from other third parties. The Committee assesses the performance of the Compliance Department and the Internal Audit Department on the basis of annual activity reports presented directly by the Directors of the Compliance and Internal Audit Departments.

Based on the information received in 2021, the Supervisory Board did not identify any significant irregularities in the functioning of the internal control system (including the control function, the compliance function, and the internal audit

function) and considers that it is adapted to the scope and complexity of the Bank's activities, organisational structure, and risk management system. As part of the assessment of the internal control system, on the basis of an opinion of the Audit Committee, the Supervisory Board identified the strengths of the system and areas for further improvement. The Supervisory Board assessed that the units responsible for the control function, compliance risk management, and internal audit carried out their tasks in accordance with the internal regulations on a continuous basis, and that the Bank's Management Board and Audit Committee, as well as the Supervisory Board, received adequate reports and information on the effects of such activities. The independence of the Compliance Department and the Internal Audit Department was ensured as defined in the Rules of the Compliance Department and the Audit Charter, respectively. In performing their duties, employees of those units performed their activities with independence and objectivity, did not execute processes which were subject to their controls, and did not engage in activities which could give rise to a conflict of interest with their duties.

The Directors of the Compliance Department and the Internal Audit Department took measures on an on-going basis to ensure that adequate human resources and the necessary financial resources were available to systematically improve the qualifications, experience and skills of the staff of those units.

The Group's risk management system is based on the concept of three lines of defence.

The Bank has in place risk committees for each business line: the Retail Banking Risk Committee, the Corporate and Investment Banking Risk Committee, and the Financial Markets Risk Committee, which define the risk management principles and determine the risk appetite of the business line. Risks are also an important focus of the work of other committees in the Bank chaired by members of the Management Board.

The Bank has in place methodologies and processes where risks are identified and assessed to determine their potential impact on current and future operations. The comprehensive risk management structure is complemented by a consistent system for monitoring and reporting risk levels and breaches of limits set. The reporting system covers the key management levels.

The Supervisory Board receives periodic reports presenting an assessment of the level of risk identified and the effectiveness of the actions taken by the Management Board.

In matters of risk, the Supervisory Board acts through the Risk Committee, which exercises on-going oversight of individual risks, in particular credit risk (including concentration risk), market risk, operational risk, liquidity risk, reputation risk, and business risk. The Committee makes recommendations on significant exposures with single business entity risk.

**IV. Assessment of the company's application of the Principles of Corporate Governance for Supervised Institutions (1) and the principles arising from the Best Practice for GPW Listed Companies and the manner of fulfilling the disclosure obligations regarding their application laid down in the Warsaw Stock Exchange Rules and regulations concerning current and periodic information provided by issuers of securities (2)**

**1. Supervisory Board's assessment of the application of the Principles of Corporate Governance for Supervised Institutions by mBank S.A.**

The Principles of Corporate Governance for Supervised Institutions were approved for application at mBank by Supervisory Board Resolution 31/14 of 11 December 2014 and Resolution 162/21 of 3 December 2021.

The Supervisory Board of mBank confirms that the Bank applied the Corporate Governance Principles issued by the Polish Financial Supervision Authority appropriately and adequately to the nature and scale of its activities in 2021. The Principles regulate the bank's internal and external relations, its organisation, its cooperation with shareholders and clients, the operation and cooperation of statutory bodies, as well as the functions of internal supervision and key internal systems and functions.

The Supervisory Board issues a positive opinion on the application of the Corporate Governance Principles at the Bank and confirms in particular that:

1. The organisation and organisational structure of the Bank is adequate to the scale and activity of the Bank. The Supervisory Board regularly approves changes to the organisational structure and the division of competences between the members of the Management Board and the Managing Directors. In 2021, the current changes in this respect were approved by Supervisory Board Resolutions 81/21 of 3 March 2021 and 116/21 of 11 June 2021.

In accordance with § 6 of the Corporate Governance Principles, the Bank has in place a system for anonymous reporting of violations. The Audit Committee of the Supervisory Board receives regular reports on the functioning of the system.

In accordance with § 4 (3) and § 7 of the Corporate Governance Principles, the Bank applies business continuity plans. In 2021, the Supervisory Board adopted Resolutions 112/21 of 11 June 2021 and 117/21 of 17 June 2021 approving the updated mBank Group Recovery Plan, which ensures continuity of critical business functions in the event of a major crisis. In addition, in 2021, the Supervisory Board adopted Resolution 80/21 of 3 March 2021 approving the Business Continuity Management Policy at mBank S.A.

2. Relations with the Bank's shareholders are maintained in a sound and diligent manner, ensuring that the interests of all shareholders are protected. The Supervisory Board notes with satisfaction that, in view of the on-going COVID-19 pandemic, mBank has waived the derogation from Principle § 8.4, which ensures

that shareholders can actively participate in the General Meeting using electronic communication means. By Resolution 63/21 of 25 February 2021, the Supervisory Board approved the Rules for participation in the General Meeting of mBank S.A. by means of electronic communication.

3. The Management Board of the Bank is composed of 6 members. The division of competences between the members of the Management Board, as approved by the Supervisory Board, ensures that tasks in all areas of the Bank's activity are duly controlled and carried out. In accordance with the Bank's Suitability Policy, the Supervisory Board has carried out an assessment of the Management Board for 2021 and confirms that all members of the Management Board, individually and as a collegiate body, have the requisite expertise, competence, professional experience and reputation appropriate to their functions. Five members of the six-member Management Board, including the President, hold Polish citizenship and speak Polish. The Supervisory Board confirms the Bank's derogation from Principle § 16.1, which provides that it is appropriate for the meetings of the management body to be held in Polish and that, if necessary, the assistance of an interpreter should be provided. The Supervisory Board confirms that the Bank's practice of holding Management Board meetings in English without the assistance of an interpreter is more efficient and allows for discussions and arrangements to take place without the involvement of third parties (interpreters).

4. The Supervisory Board duly ensures the supervision of all areas of the Bank's activities. In view of the on-going COVID-19 pandemic and the change in the format of the meetings (online), the Supervisory Board confirms the derogation from Principle § 24 (1), which provides that it is appropriate for the meetings of the supervisory body to be held in Polish and that, if necessary, the assistance of an interpreter should be provided. The Supervisory Board confirms that holding meetings in English without the assistance of an interpreter is more efficient and allows for discussions and arrangements to take place without the involvement of third parties (interpreters). In Resolution 162/21 of 3 December 2021, the Supervisory Board confirmed the derogations in the application of the Corporate Governance Principles at mBank S.A. The relevant statement is published on the Bank's website.

5. In the assessment of the Supervisory Board, the Bank pursues a transparent remuneration policy for members of the Management Board and persons holding key functions in the Bank. The remuneration policy for both management and employees of the Bank is discussed in detail at meetings of the Remuneration Committee of the Supervisory Board. In the past year, the Supervisory Board adopted Resolution 55/21 of 25 February 2021 approving the updated Policy on remuneration principles for employees of mBank S.A. and Resolution 157/21 of 3 December 2021 approving the updated Policy on remuneration of employees with significant influence on the risk profile of mBank S.A. (risk-takers). In the assessment of the Supervisory Board, the remuneration policy is consistent with the implementation of mBank's strategy and long-term objectives.

6. The Supervisory Board confirms that the Bank pursues sound information policy, conducts sound promotional activities, and communicates with clients in a comprehensive and transparent manner. At its meeting on 3 December 2021, the Supervisory Board adopted Resolution 165/21 approving the Information Policy of mBank S.A. regarding communication with investors, the media and clients. The Bank's information policy is based on the principles of open and transparent communication, taking into account the needs of all stakeholders.

The Bank has a structured process for handling complaints and claims. The Supervisory Board monitors the process on an on-going basis and periodic reports in this respect are discussed in detail at meetings of the Audit Committee of the Supervisory Board. At its meeting on 26 March 2021, the Supervisory Board adopted Resolution 91/21 approving the annual report on the supervision of the complaints and claims handling processes at mBank S.A. for 2020.

7. The Bank's key internal systems and functions, including in particular the internal control and risk management system, are organised in a sound manner, in compliance with legal provisions and internal regulations.

By resolution 70/21 of 25 February 2021, the Supervisory Board issued a positive assessment regarding the functioning of the Audit Committee and the audit firm carrying out the annual audit of the financial statements, and confirmed that the financial statements are consistent with the Bank's books of account and facts.

**2. The Supervisory Board's assessment of mBank S.A.'s compliance with the principles arising from the Best Practice for GPW Listed Companies 2021 and the manner of compliance with the disclosure obligations concerning compliance with the principles of corporate governance defined in the Warsaw Stock Exchange Rules and regulations on current and periodic reports published by issuers of securities.**

In order to perform the assessment, the Supervisory Board:

a) familiarised itself with:

- Best Practice for GPW Listed Companies 2021 and Resolution No. 14/1835/2021 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. dated 29 March 2021 on amendments to the Warsaw Stock Exchange Rules,
- Information on the Status of the Company's Compliance with the Principles Included in the Best Practice for GPW Listed Companies 2021 published by mBank,
- Statement on compliance with the principles of corporate governance included in the Management Board Report on the Performance of mBank S.A. Group in 2021,

- scope of information on corporate governance published on mBank's website, and

b) analysed and assessed whether the information on compliance with the principles of corporate governance is true, complete, relevant and coherent.

Best Practice for WSE Listed Companies 2021 was adopted by way of Resolution of the Exchange Supervisory Board dated 29 March 2021. In June 2021, the Exchange published guidelines on the application of the Best Practice for WSE Listed Companies 2021 edited by the Corporate Governance Consultation Committee. Under amended Article 29 (3) of the Stock Exchange Rules, all listed companies are obliged to publish a report on the scope of compliance with the Best Practice and information about the change of the scope of compliance with the principles or the occurrence of circumstances justifying changes in the explanations regarding non-compliance or the manner of compliance with DPSN 2021. The Exchange set the deadline for submitting the first report for 31 July 2021.

mBank submitted the Information on the Status of the Company's Compliance with the Principles Included in the Best Practice for GPW Listed Companies 2021 via the Electronic Information Database (EBI) on 27 July 2021.

The bank reported that it did not comply with DPSN 2021 principle no. 2.1 concerning a diversity policy applicable to the management board and the supervisory board. The bank explained in detail that the bank was non-compliant with this principle due to the gender quota applicable to the management board, which was introduced for the first time in DPSN 2021. At the same time, the bank presented arguments proving that it applied the diversity policy with regard to management board and supervisory board members in other aspects.

Having reviewed the principles specified in individual sections of DPSN 2021 (Disclosure Policy, Investor Communications, Management Board, Supervisory Board, Internal Systems and Functions, General Meeting, Shareholder Relations, Conflict of Interest, Related Party Transactions, Remuneration), the Supervisory Board did not identify other departures from DPNS 2021.

Some principles with which the bank is compliant were supplemented with explanations allowing a better understanding of how the requirements are fulfilled. This applies, among others, to the principles pertaining to the participation in a general meeting by means of electronic communication (e-meeting), donations to charities and striving to distribute profits by paying out dividends.

Detailed information on the Status of the Company's Compliance with the Principles Included in the Best Practice for GPW Listed Companies 2021 can be found on mBank' website: <https://www.mbank.pl/o-nas/lad-korporacyjny/>, in the section "Other documents".

mBank publishes on its website also detailed information about compliance with the principles of corporate governance in the 2016 version. Out of all the principles set out in the document, mBank did not comply with principle VI.Z.2. pertaining to the construction of incentive schemes, which stipulates that 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.

Under the Regulation of the Minister of Finance dated 29 March 2018 on Current and Periodic Information Published by Issuers of Securities and on Conditions for Recognising as Equivalent Information Required by the Laws of a Non-Member State, the bank is obliged to include in its annual report a separate statement on compliance with the principles of corporate governance containing the elements referred to in Article 70 (6) (5) of the Regulation.

The Statement of Compliance with the Principles of Corporate Governance included in the Management Board Report on the Performance of mBank S.A. Group in 2021 contains all the elements required under the Regulation of the Minister of Finance. In the opinion of the Supervisory Board, it describes the issues related to corporate governance in a detailed and reliable way.

The statement concerns the application of both the Best Practice for GPW Listed Companies and the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority. As regards the latter, the Supervisory Board updated the Declaration on the Application of Principles of Corporate Governance for Supervised Institutions by way of its resolution of 3 December 2021. The information is published on mBank's website (<https://www.mbank.pl/o-nas/lad-korporacyjny/>) in the section "Other documents".

The Supervisory Board of mBank positively assesses both the scope of mBank's compliance with the principles of corporate governance and the manner of the bank's compliance with the disclosure obligations concerning the principles of corporate governance in 2021. The obligations were complied with in accordance with the WSE Rules and the Regulation of the Minister of Finance of 29 March 2018 on Current and Periodic Information Published by Issuers of Securities and on Conditions for Recognising as Equivalent Information Required by the Laws of a Non-Member State.

According to the Supervisory Board, mBank pursues its operations in a transparent manner, in accordance with the principles of corporate governance, including principles pertaining to the protection of shareholder rights and ensuring access to reliable information for shareholders, investors and media.

In conclusion, in the opinion of the Supervisory Board, mBank attaches great weight to due application of the principles of corporate governance and correctly complies with the disclosure obligations concerning compliance with those principles. The

explanations and comments about the principles of corporate governance published by the company present the operation of the company's authorities in a transparent and due manner and provide market participants with reliable information on the status of the company's compliance with the principles of corporate governance and, if the company does not comply with any of the principles, explanations of such non-compliance.

At the awards gala of the 16th edition of the "The Best Annual Report" competition, which took place on October 14, 2021 at the WSE Quote Room, mBank received three prestigious awards:

- 1) a special award "The Best of the Best" for the best annual report in the category of financial institutions and
- 2) a distinction for an integrated report in the category of banks and financial institutions, and
- 3) a distinction for the best statement on the application of the principles of corporate governance.

**V. Report on the opinion on the functioning of the remuneration policy at mBank S.A. in 2021 - prepared in accordance with the requirements of Article 28 (3) of the Corporate Governance Principles for Supervised Institutions.**

The Supervisory Board and the Supervisory Board Remuneration Committee, guided by prudent and stable management of risk, capital and liquidity as well as taking particular care to protect the interest of the bank in the long term and the interests of shareholders, investors and holders of ownership interests in the bank positively assess the remuneration policy in force at mBank S.A. as well as its functioning in 2021.

The remuneration policy for employees applicable in 2021 stems from two regulations adopted by the Bank's Management Board and Supervisory Board (based on the recommendation of the Supervisory Board Remuneration Committee):

- 1/ "Remuneration Policy for Employees of mBank S.A." applicable to all bank employees (outside of the managerial body), adopted by Resolution No. 55/21 of the Supervisory Board dated 25 February 2021, and
- 2/ separate "Remuneration Policy for Employees Having a Material Impact on the Risk Profile of mBank S.A.", hereinafter referred to as the "Remuneration Policy for Risk Takers", adopted by Resolution No. 49/20 of the Supervisory Board dated 17 December 2020.

Moreover, in line with Article 90d (1) of the Act on Public Offering and Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies of 29 July 2005, on 27 March 2020, the General Meeting of mBank S.A. adopted the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of mBank S.A.". With regard to Management Board Members, the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of mBank S.A." is applied only in the extent which is not governed by the "RT Remuneration Policy". With regard to Supervisory Board Members, the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of mBank S.A." indicates that the amounts of remuneration of Supervisory Board Members are determined by resolution of the General Meeting.

The Remuneration Policy for Employees of mBank S.A. describes the rules of granting remuneration to mBank employees. An employee's remuneration paid annually (total remuneration) consists of fixed remuneration (base salary and fixed benefits) and variable remuneration (e.g. bonus). The dialogue between the manager and the employee plays a key role in the remuneration process and is aimed at exchanging information on mutual expectations of both parties. On this basis and taking into account, among others, knowledge about the employee (his competences, achieved results, potential for further development) or data from the labour market, the manager makes a decision on variable remuneration. This process does not assume automatic increase mechanisms such as inflationary increases.

Separate Remuneration Policy concerning risk takers also plays an important role in remuneration management, since it is a tool supporting mBank Group system management and encourages risk takers to take particular care for long-term interests of the bank and avoid excessive exposure to risk. Each year, the "RT Remuneration Policy" is verified and, if need be, modified by the Management Board of the bank and the Supervisory Board Remuneration Committee and approved by the Supervisory Board.

The policy and practices applicable at the bank with regard to remuneration were assessed positively. However, in view of the KNF's stance on variable remuneration at banks and insurance companies, presented in the letter dated 17 April 2020, the bank decided to amend the Risk Takers Remuneration Policy applicable since 2020, by providing for the payment of a larger part of variable remuneration in equity instruments.

Detailed information on the "RT Remuneration Policy" as well as quantitative data pertaining to remuneration disbursed to this employee group are published annually on mBank S.A.'s website.

The Supervisory Board Remuneration Committee and the Supervisory Board of mBank S.A. assessed that the above description of functioning of the remuneration policy at mBank S.A., among others, with regard to Supervisory Board Members, Management Board Members and other persons holding managerial positions and having a material impact on the risk profile of mBank S.A., favours the development and security of mBank S.A.

The Supervisory Board recommends to the Ordinary General Meeting of Shareholders:

- a) to approve the Management Board's Report on the Activities of the mBank Group in 2021
- b) to approve the Financial Statements of mBank S.A. for 2021
- c) to approve the Financial Statements of the mBank Group for 2021
- d) to conclude, based on the Report of the Supervisory Board on the assessment of the functioning of the remuneration policy in mBank S.A., that the remuneration policy for the members of the Management Board and persons holding key functions in mBank S.A. is conducive to the development and security of the Bank's operations
- e) to issue a positive opinion on the content of the Report on the remuneration of members of the Supervisory Board and the Management Board for 2021
- f) to adopt resolutions on the coverage of the loss for 2021 and the distribution of retained earnings in accordance with the recommendation of the Management Board approved by the Supervisory Board.

Based on its assessment, the Supervisory Board concludes that mBank's situation is stable. The Supervisory Board thanks the Management Board and the employees of the entire Group for the tremendous effort undertaken in a difficult and uncertain environment, as well as for their constructive co-operation.

Professor Agnieszka Słomka-Gołębiowska  
Chairwoman of the Supervisory Board