

Appendix No 1 to a resolution of the Supervisory Board No 16/2023 of 27 March 2023

The Supervisory Board of mBank Hipoteczny S.A., by Resolution No 16/2023, approved the assessment of application by mBank Hipoteczny S.A. (hereinafter referred to as Bank) in 2022 of the “Principles of Corporate Governance for Supervised Institutions” introduced by the Polish Financial Supervision Authority. On the basis of information received from the Management Board of mBank Hipoteczny S.A., the Supervisory Board confirms that the Bank has implemented and applies the Principles of Corporate Governance.

According to § 27 of the *Principles of Corporate Governance for Supervised Institutions*, the supervisory authority performs a regular assessment of application of the principles, and the results of this assessment are made available on the supervised institution’s website (<https://www.mhipoteczny.pl/bank/lad-korporacyjny/>) and communicated to the remaining bodies of the supervised institution.

IMPLEMENTATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE

By way of Resolution No 247/2014 of 16 December 2014, the Management Board of mBank Hipoteczny S.A. adopted for application *the Principles of Corporate Governance for Supervised Institutions*, save for the principles set out in:

- a) § 8(4) – shares of mBank Hipoteczny S.A. are acquired indirectly or directly by one shareholder, i.e. mBank S.A.
General Meetings take place without a formal convocation, and 100% of the capital is always represented at the General Shareholders' Meeting. Accordingly, the number of shareholders does not justify the necessity of organizing meetings by use of electronic devices;
- b) §25(1) — the withdrawal from the said principle is dictated by the close cooperation with the shareholder, in particular within the scope of consolidated supervision, large exposure risk management, application of statistical methods, area of risk, compliance, internal audit, as well as by the extensive cyclical reporting. In view of the above, the Supervisory Board sessions held 3 times per year were sufficient for keeping the Bank secure;
- c) § 29 – remuneration for holding the position of a member of the Supervisory Board is awarded by the General Meeting to an independent member. The remaining Board Members do not receive remuneration;
- d) § 53-57 – the departure from said principles is dictated by the fact that the Bank, as a specialist institution, does not carry out an activity within the field of asset management at the customer’s risk.

The Supervisory Board of mBank Hipoteczny S.A. has adopted the *Principles of Corporate Governance for Supervised Institutions* by way of Supervisory Board Resolution No 1/2015 of 19 January 2015, save for the aforementioned principles.

By way of OGM Resolution No 15 of 22 April 2015, the Ordinary General Meeting of mBank Hipoteczny S.A. has adopted the *Principles of Corporate Governance for Supervised Institutions* to the extent that they are related to the general meeting, save for the principle specified in § 29 – remuneration for holding the position of a member of the Supervisory Board is awarded by the General Meeting to an independent member. The Principles of Corporate Governance for Supervised Institutions have been introduced to the Rules of Procedure of the Management Board, Rules of Procedure of the Supervisory Board and to the Articles of Association.

ASSESSMENT OF APPLICATION OF THE *PRINCIPLES OF CORPORATE GOVERNANCE*

1. Organisation and the organisational structure

The Bank has a transparent organisational structure and clearly defined tasks of its individual organisational units. The organisational chart is publicly available on the Bank's website (<https://www.mhipoteczny.pl/bank/o-nas/>). It presents the hierarchical structure of the basic units of the bank within the divisions supervised by individual members of the Management Board and, in connection with the announced plan to split the Bank, it indicates the areas of activity of the separated and remaining entities. The division of tasks and responsibilities between members of the Management Board, organisational units, and independent positions is determined by the bank's organisational regulations. The cooperation of organisational units with the Management Board is supported by committees and project teams, performing an advisory function.

The Bank's structure allows for the achievement of long-term goals of the conducted activity. The Bank's business activity is carried out on the basis of a long-term operations strategy with due consideration for the rules of risk management specified in the Risk-Management Strategy. In December 2022, the Bank adopted a new strategy for the years 2023-2026.

The Bank acts on the basis of written formal regulations covering the management and the exercise of control, internal reporting systems, the flow and protection of information, as well as document circulation. The Bank manages compliance risk so as to ensure the conformity of the activities with the applicable laws, internal regulations and market standards.

The obligation to develop and implement the procedures for anonymous reporting of violations of laws and procedures and ethical standards applicable at the bank follows from Article 9(2a) – (2b) of the *Banking Law*, Article 45 of the *Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and the internal control system, the remuneration policy and the detailed manner of*

estimating internal capital (hereinafter: Regulation) and Article 53 of the Act of 1 March 2018 on counteracting money laundering and financing of terrorism.

To implement the *aforementioned regulations*, the *Instruction on reporting violations at mBank Hipoteczny S.A.* and in 2018 the BKMS system (IT tool) devised for reporting, including anonymous reporting, of violations of laws and procedures and ethical standards applicable at the Bank were implemented. The system meets the requirements of a special, independent and autonomous communication channel in line with Article 45(3) of the *Regulation*. Key assumptions to the BKMS system include ensuring anonymity of the reporting person, verification of each report and the possibility to provide feedback to an anonymous e-mail address. The system is administered from the user level by the Compliance Department, which additionally conducts reviews and updates internal rules and procedures regarding violations and periodically reiterates training for employees in this field.

In addition, in accordance with the requirements of the said *Regulation*, the Supervisory Board approved a division of competences according to which the President of the Management Board is responsible for receiving anonymous reports of violations of laws and ethical standards by employees, and authorised the Chairperson of the Supervisory Board to receive reports and decide on the actions regarding reports concerning the members of the Management Board.

The Bank has adopted a Policy on the assessment of qualifications (suitability), appointment, and dismissal of members of the Bank's supervisory body at mBank Hipoteczny S.A. The Suitability Policy adopted at the Bank complies with the requirements resulting from the Banking Law, the Methodology for assessing the suitability of members of the governing bodies of entities supervised by the Polish Financial Supervision Authority (the Methodology), the EBA Guidelines of 2 July 2021 on the assessment of the suitability of members of the management body and persons performing key functions, and Recommendation Z, and constitutes the basis for the assessment of the persons covered by it (Suitability Policy).

In 2022, the Bank implemented a Policy of identification of key functions in the bank, appointment and dismissal of employees performing these functions and assessment of their qualifications (suitability) in accordance with Recommendation Z. In 2022, initial suitability assessments were conducted for employees performing key functions in the bank.

2. Relationship with shareholders of the supervised institution

The shares of mBank Hipoteczny S.A. are held indirectly and directly by a single shareholder, i.e. mBank S.A. The Bank's shares are dematerialised. The Bank's shares are dematerialised. mBank S.A. is the entity keeping the register of shareholders.

In 2022, the Bank started the process of amending the Bank's Articles of Association, the Rules of Procedure of the Supervisory Board, and the Rules of Procedure of the

Management Board. Regulations of the Supervisory Board were adopted by a resolution of the General Meeting on 14 December 2022, and the Management Board Regulations by a resolution of the Supervisory Board on 15 December 2022. These changes aimed, among other things, to adapt the relevant regulations to the provisions of the amended Code of Commercial Companies (CCC) by the Act of 9 February 2022 amending the Code of Commercial Companies and certain other acts, in particular, in the scope of introducing regulations shaping the relationship between the company and the controlling company and expanding the information obligations of the Management Board towards the Supervisory Board and the reporting obligations of the Supervisory Board.

Moreover, as part of adapting the internal regulations to the requirements of Recommendation Z of the Polish Financial Supervision Authority (PFSA) concerning internal governance principles in banks, as of 1 January 2022, the Bank implemented the Internal Governance Policy.

In accordance with the requirements of Recommendation Z, the Bank is obliged to review the internal governance annually.

The Management Board of the Bank carried out an assessment and verification of the internal governance in force at the Bank in 2022, taking into account the circumstances of the internal and external situation. The Supervisory Board assessed the adequacy and effectiveness of the Bank's internal governance for 2022, identifying areas for further improvement.

3. The management body

In April 2022, the Supervisory Board appointed a new Management Board composed of three members:

Krzysztof Dubejko – Member of the Management Board, President of the Management Board since 2 December

Katarzyna Dubaniewicz – Member of the Management Board for Refinancing, Operations, and IT

Andrzej Kulik – Member of the Management Board in charge of Essential Risk Management in the Bank's operations,

and in June extended the composition of the Management Board to include a fourth Member:

Jolanta Pankiewicz – Member of the Management Board in charge of Commercial Banking

The rules of the Management Board's activity have been set out in the *Rules of Procedure of the Management Board of mBank Hipoteczny S.A.* The Supervisory Board approves the division of competencies between the Members of the Management Board, which is being adopted by the Management Board, thus ensuring the appropriate distribution of responsibilities for the operating activities, risk-monitoring activities, and control activities. The Bank has also defined the rules for limiting the conflict of interest among the Members of the Management Board and the Bank's employees.

In connection with the appointment of the new Management Board in 2022, the Supervisory Board made an initial assessment of individual and collective suitability of the members of the Management Board, and then made appropriate assessments of individual and collective suitability of the Management Board in connection with the appointment of a new Member of the Management Board.

As a result of the assessment, it was found that the members of the Management Board have the knowledge, experience, and skills necessary to perform the entrusted functions and guarantee the proper performance of the entrusted duties.

4. The supervisory body

The Supervisory Board shall be composed of nine members. In 2022, the Bank's Supervisory Board was composed of:

Andreas Boeger – Chairperson of the Supervisory Board,
Marek Lusztyn – Vice Chairperson of the Supervisory Board,
Paweł Graniewski – independent Member of the Supervisory Board,
Mariusz Tokarski – independent Member of the Supervisory Board,
Frank Bock – Member of the Supervisory Board,
Aleksander Buczkowska – Member of the Supervisory Board (until 14 December 2022),
Łukasz Maculewicz – Member of the Supervisory Board (since 14 December 2022),
Grzegorz Ostrowski – Member of the Supervisory Board,
Michał Popiołek – Member of the Supervisory Board,
Mikołaj Tatarkiewicz – Member of the Supervisory Board.

Pursuant to § 14(1)(5) of the Articles of Association of mBH, the General Meeting, in the form of a resolution, shall decide on the election and dismissal of the members of the Supervisory Board and on the principles of their remuneration. Members of the Supervisory Board meet the suitability requirements defined according to the Bank's Policy on the assessment of qualifications (suitability), appointment and dismissal of members of the supervisory and management body at mBH.

Extraordinary General Meeting of mBank Hipoteczny S.A. of 14 December 2022, in connection with the review of the principles of Corporate Governance, made a

secondary assessment of individual and collective suitability of the members of the Supervisory Board, i.e.: Mr Frank Bock, Mr Andreas Boeger, Mr Paweł Graniewski, Mr Grzegorz Ostrowski, Mr Michał Popiołek, Mr Mariusz Tokarski, Mr Marek Lusztyn, Mr Mikołaj Tatarkiewicz, Ms Aleksandra Buczkowska, and stated that the members of the Supervisory Board individually and collectively meet the requirements set out in Article 22aa of the Banking Law (Resolution No 1 of the Extraordinary General Meeting of 14 December 2022).

The Supervisory Board acts under the *Rules of Procedure of the Supervisory Board* adopted by the General Meeting.

Pursuant to § 3(1)(9) and (10) of the Regulations of the Supervisory Board of mBH, powers of the Supervisory Board include appointing and removing from office the President and other members of the Management Board, as well as assigning the functions of Vice President of the Management Board and member of the Management Board responsible for oversight over the management of risks material to the Bank's operations, as well as determining the terms and conditions of the contracts and remuneration for the members of the Management Board of the Bank and representing the Bank at the execution of contracts with the Management Board members.

Four Committees operate within the Supervisory Board: The Audit Committee, the Nomination Committee, the Remuneration Committee, and the risk Committee.

Audit Committee

The Bank operates an Audit Committee of the Supervisory Board. The Audit Committee is a standing committee of the Supervisory Board of the Bank. The members and the chairperson of the Audit Committee shall be appointed by the Bank's Supervisory Board from among of its members. The Audit Committee shall be composed of three members of whom at least one is qualified in the field of accounting or auditing financial statements. The members of the Audit Committee shall have the knowledge and skills from the area of banking. Two out of three (majority) members of the Audit Committee, including the chairperson, are independent.

The composition of the Committee (as at the end of 2022) was as follows:

Paweł Graniewski – Chairperson of the Committee
Andreas Boeger – Member of the Committee,
Mariusz Tokarski – Member of the Committee.

In accordance with the applicable Rules of Procedure of the Audit Committee, its main tasks include:

- 1) presenting a recommendation on the selection of the audit firm to the Supervisory Board,

- 2) recommending approval or rejection of financial statements by the Supervisory Board,
- 3) exercising regular supervision over the internal control system at the Bank,
- 4) recommending that the Supervisory Board approve or reject the changes, proposed by the Management Board of the Bank, at the positions: Internal Audit Expert (RT) and the Director of the Compliance Department,
- 5) recommending approval or disapproval by the Supervisory Board of:
 - a) audit plans and the annual report on internal audit activities,
 - b) the annual compliance plan, the Bank's compliance policy and the annual report on compliance risk management at the Bank,
 - c) the annual assessment of the adequacy and efficiency of the internal control system.
- 6) recommending that the Supervisory Board approve or reject the Audit Committee Rules of Procedure or amendments thereto.

In 2022, 4 sessions of the Audit Committee of the Supervisory Board were held.

Nomination Committee

By Resolution No 3/2022 of the Supervisory Board of 10 January 2022, a Nomination Committee was established, consisting of 3 members of the Supervisory Board:

Andreas Boeger — Chairperson of the Committee

Marek Lusztyn – Committee Member,

Paweł Graniewski – Committee Member.

acting on the basis of the Regulations assigned by the Supervisory Board. Pursuant to the Rules of Procedure, the Committee, *inter alia*, recommends candidates to the Management Board and the Supervisory Board, taking into account the suitability criteria of the Management Board and the Supervisory Board as a whole and as individual members of the Management Board and the Supervisory Board detailed in the Policy on the assessment of qualifications (suitability), appointment and dismissal of members of the Bank's Body at mBank Hipoteczny S.A. (hereinafter referred to as the "Suitability Policy") and taking into account diversity in the composition of the Management Board and the Supervisory Board of the Bank,

The Remuneration Committee

The Bank operates a Remuneration Committee of the Supervisory Board which was established in 2019. The Committee supports the Supervisory Board in the performance of its statutory duties and tasks arising from legal regulations. The Remuneration Committee is composed of members of the Bank's Supervisory Board. The composition of the Committee (as at the end of 2022) was as follows:

Andreas Boeger – Chairperson of the Committee

Frank Bock – Member of the Committee

Marek Lusztyn – Member of the Committee

Pursuant to the applicable Rules of Procedure of the Remuneration Committee, its main tasks include:

- i) With respect to the Bank:
 - 1) giving opinions on the remuneration policy in force at the Bank (and proposed changes in this respect),
 - 2) giving opinions on any issues related to remuneration which are subject to a decision or discussion of the Bank's Supervisory Board.

- ii) With respect to members of the Management Board of the Bank:
 - 1) approval and determination of MbO objectives and results for members of the Management Board of the Bank,
 - 2) presentation of objectives and results to the Supervisory Board.

In 2022, 3 sessions of the Remuneration Committee of the Supervisory Board were held.

Risk Committee

The Bank operates a Risk Committee with responsibilities that include:

- a) giving opinions on the comprehensive risk appetite of the Bank at present and in the future;
- b) giving opinions on the risk management strategy in Bank's activities developed by the Management Board of the Bank and on the information on implementing this strategy submitted by the Management Board;
- c) supporting the bank's Supervisory Board in monitoring the implementation of the strategy of risk management in Bank's activities by top management;
- d) verifying whether the prices of liabilities and assets offered to customers fully comply with the Bank's business model and its risk strategy and, if these prices do not appropriately reflect the types of risks in accordance with this model and this strategy, providing the Management Board of the Bank with proposals aimed at ensuring that the prices of liabilities and assets are adequate for these risks;
- e) to recommend approval or disapproval to the Supervisory Board for transactions between the Bank and the Members of the Bank's bodies, as provided by the Banking Law.

The composition of the Committee (as at the end of 2022) was as follows:

Marek Lusztyn – Chairperson of the Committee

Michał Popiołek – Member of the Committee,

Mikołaj Tatarkiewicz – Member of the Committee.

In 2022, the Risk Committee held three meetings.

5. Remuneration Policy

The Bank has implemented a staff policy, including a remuneration policy, adequate to the scale of operations and defines the rules of employment.

The Bank applies the “Policy for remunerating employees having a material impact on the risk profile of mBank Hipoteczny S.A.”, (hereinafter referred to as the “Remuneration Policy”), which was for the first time adopted during the session of the Supervisory Board in December 2014. Since that time, the Remuneration Policy has been subject to annual review. The Policy applicable in 2022 was approved by Resolution of the Supervisory Board No 4/2022 of 20 January 2022.

The adopted Remuneration Policy complies with:

- 1/ EBA (European Banking Authority) guidelines on sound remuneration policies referred to in Article 74(3) and 75(2) of Directive 2013/36/EU and on disclosure in accordance with Article 450 of Regulation (EU) No 575/2013 – EBA/GL/2015/22 of 27 June 2016,
- 2/ Banking Law of 29 August 1997 implementing Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (as amended by Directive EU 2019/878 of 20 May 2019),
- 3/ Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and the internal control system and the remuneration policy in banks.
- 4/ PFSA Recommendation Z.

The adopted Policy aims at supporting proper and efficient risk management, ensuring that decisions made are not burdened with excessive risk, i.e. risk beyond the Bank’s risk appetite accepted by the Supervisory Board, and supporting implementation of the strategy and limiting conflicts of interest.

As regards persons whose professional activities have a material impact on the risk profile of mBank Hipoteczny (the so-called Risk Takers), a separate document approved by the Management Board, the Remuneration Committee, and the Supervisory Board of mBank Hipoteczny – “Policy for identification of employees having a material impact on the risk profile of the Bank” (hereinafter referred to as the “Identification Policy”) applies, meeting the requirements of:

- 1) Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and the internal control system and the remuneration policy in banks.

- 2) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (as amended by EU Directive 2019/878 of 20 May 2019),
- 3) Commission Delegated Regulation (EU) No 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive.

The identification policy, like the Remuneration Policy, is subject to annual review.

Key information on remuneration setting

The total remuneration granted to the members of the Management Board or other employees consists of a fixed part (basic remuneration and fixed non-salary benefits) and a variable remuneration (annual bonus and other awards). At the Bank, we apply a gender-neutral remuneration policy based on the principle of equal pay for male and female workers for the same work or work of equal value. The basis for its determination is the employee's place on the job map, which is the presentation of job relationships in the organisational unit.

Variable remuneration shall consist of a bonus granted for a given financial year to a Management Board Member or other employees. Variable remuneration shall be determined in a transparent and verifiable manner which ensures efficient implementation of the Remuneration Policy. The maximum level of variable components of remuneration of persons covered by the Policy shall not exceed 100% of the amount of the basic remuneration paid to a given employee for a given financial year.

It shall be determined taking market practices into account, both in the banking sector and in general on the Polish market, verified on the basis of market salary reports and the remuneration policy of the mBank Group.

A part of variable remuneration is paid in phantom shares. The number of phantom shares to be determined for a Member of the Management Board or other employees for a given financial year as the variable remuneration (both non-deferred and deferred part) shall result from dividing the amount of the variable remuneration,

determined in accordance with the principles of the Policy, by the phantom share value at the end of the financial year for which the remuneration is being determined.

The phantom share value is the quotient of the carrying amount of the Bank's shares and the number of ordinary shares, where the carrying amount of the Bank is defined as: total assets less total liabilities of the Bank. The carrying amount of the Bank and the number of ordinary shares are derived from the Bank's financial statements for the financial year for which the variable remuneration is granted, once the financial statements have been approved by the Supervisory Board. The number of phantom shares may take fractional values and shall be rounded up to 4 decimals.

6. Information Policy

The Bank, guided by the principle of transparency, makes disclosures on an individual basis, despite the absence of such a requirement in accordance with the CRR Regulation. Given the scale and specific nature of the Bank's operations, the Management Board of the Bank has established that the disclosed information must be disclosed in the Financial Statements and the Management Report on the Bank's activities on the date of their publication. Disclosure includes:

- 1) own funds,
- 2) compliance with capital requirements,
- 3) credit risk mitigation techniques used,
- 4) capital buffers,
- 5) financial leverage,
- 6) credit risk adjustments used,
- 7) the operational risk involved, in accordance with Recommendation M,
- 8) Use of the IRB Approach to credit risk
- 9) liquidity coverage ratio (LCR), liquidity buffers and net liquidity outflows.

The information policy is made available on the Bank's website.

7. Promotional activities and customer relations

The Bank has regulated the rules regarding promotional activities and relationships with customers. In accordance with internal regulations, prior to publication, an advertisement message shall pass an acceptance process, which also involves a legal opinion and an opinion of the Compliance Department.

The Bank has also implemented respective procedures pertaining to informing customers about offered products. This information was presented before the customer takes a decision. Due to the withdrawal of credits offered to consumers and entrepreneurs, the procedures mentioned above will apply to a limited extent and, in practice, they will apply to the takeover of debt or debt accession.

8. Key internal systems and functions

As regards the internal control system, the provisions of Recommendation H issued by the Polish Financial Supervision Authority, in accordance with Clause 5 of the Introduction thereof, introduced at the Bank, take precedence over the principles laid down in Chapter 8 of the *Principles of Corporate Governance* "Key systems and internal functions".

The internal control system adopted by the Bank shall include:

- 1) **A control function** intended to ensure compliance with the mechanisms pertaining, in particular, to the risk management at the Bank. The control function comprises:
 - all controls in the processes applicable at the Bank,
 - independent monitoring of compliance with these controls, and
 - reporting as part of this function.

The operation of this function is specified in the Internal Control System Rules of Procedure – introduced by Resolution of the Management Board of the Bank No 42/2021 of 27 July 2021 and approved by Resolution of the Supervisory Board No 33/2021 of 6 August 2021.

Internal controls are an integral part of the Bank's day-to-day operations and comprise:

- a) internal procedures pertaining to the Bank's operations,
- b) reviews of reports by the Management Board of the Bank,
- c) reviews conducted by directors of departments and employees on independent job positions,
- d) physical safeguards,
- e) a system of limits and rules for controlling them,
- f) rules for taking credit decisions and a system of authorisations,
- g) principles of verifying transaction details and activities, as well as results of risk management models,
- h) activities aimed at controlling the quality and accuracy of implemented tasks.

The accuracy of operation of the internal controls is checked on an ongoing basis by each employee as part of their functions and periodically – as part of horizontal and vertical testing – by heads of organisational units or their appointees and by employees on independent job positions.

- 2) **The Compliance Department** – a compliance unit whose task is to identify, assess, control, and monitor the risk of non-compliance of the bank operations with the laws, internal regulations and market standards and presentation of reports in this respect.

3) **Internal Audit Desk** – an independent internal audit unit whose task is to audit and assess, on an independent and objective basis, the adequacy and effectiveness of the risk management and internal control systems.

9. Exercising the rights from assets acquired at the customer's own risk

The Bank, as a specialised institution, does not operate in the area of asset management at the customer's risk, therefore, with the consent of the company's owners, the management board departed from the principles set out in § 53-57.

Warsaw, 27 March 2023