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**REMUNERATION POLICY  
WITH RESPECT TO RISK  
TAKERS IN THE BANK  
MILLENNIUM S.A. GROUP**

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Owner	HR Department
Approval	Uniform text approved under the Resolution No 226/2022 by the Bank's Management Board on November, 29 <sup>th</sup> 2022 and the Resolution No 39/2022 by the Supervisory Board on December, 2 <sup>nd</sup> 2022
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### I. GENENERAL PROVISIONS

#### § 1

1. This Remuneration Policy with Respect to Risk Takers in the Bank Millennium S.A. Group („RT Remuneration Policy”) shall ensure formal framework for developing remuneration for persons identified as risk takers in the Bank Millennium Group viewed from the perspective of corporate governance, institution’s safety and adequacy of remuneration relative to the Group’s condition, scale of operation and the development potential by way of determining fixed and variable remuneration components.
2. RT Remuneration Policy should ensure:
  - 1) behaviours and commercial practices in line with interests of the Bank Millennium Group clients and investors;
  - 2) remuneration practices matched to the individual risk profile, risk appetite and strategy of the Bank Millennium Group in order to effectively achieve the goals set as part of the respective obligations, as well as the goals, values and long-term interests of the Group Bank Millennium.
3. The Policy is one of instruments facilitating implementation of business strategy, long term interests and stability of the Bank and supports proper and effective management of risk and mitigation of conflicts of interests in particular through:
  - 1) development of adequate level of remuneration components, in relation to the function performed and the scale of the Bank’s operations, including the principle of transparency of their creation,
  - 2) rendering parts of variable remuneration to be conditional upon the financial and business performance of the Bank,
  - 3) adoption of the structure of variable and fixed components ensuring that motivation aimed towards receiving variable components of remuneration does not create the incentive to undertake excessive risks,
  - 4) supporting responsible management attitudes relative to long term business objectives of the Bank through, inter alia, of transparent assessment of performance.
4. The RT Remuneration Policy has been developed taking account of the legal environment connected with performance of operations in the financial market.

5. The remuneration policy for the members of the Bank's Supervisory Board consists of: 1/ "Remuneration policy with regard to members of the Management Board and Supervisory Board of Bank Millennium S.A." adopted by the General Meeting by Resolution No. 27 of 24 March 2021, 2/ Resolution No. 28 of the General Meeting of 21 May 2015 "on remuneration of the members of the Supervisory Board" and 3/ the present Policy applied accordingly in scope of avoiding and managing conflicts of interest, taking into account the conditions of employment of employees and as to the role of the remuneration policy in the implementation of the business strategy, long-term interests and stability of the Bank.

## § 2

1. The Bank Management Board shall be responsible for implementation of the RT Remuneration Policy. The Bank Management Board shall develop, introduce, maintain, and ensure implementation of the RT Remuneration Policy adequate to the management system and risk strategy as well as internal control system within the Bank Millennium Group.
2. The Bank Supervisory Board shall be responsible for approval and maintenance of the RT Remuneration Policy. The Bank Supervisory Board shall, once a year, prepare and submit to the General Meeting of Bank Shareholders the assessment report on the RT Remuneration Policy in the Bank Millennium Group.
3. Implementation of the RT Remuneration Policy in the Bank Millennium Group shall be subject to opinion prepared by the Personnel Committee of the Bank Supervisory Board. The Personnel Committee of the Bank Supervisory Board shall present, in the report to the Bank Supervisory Board, its conclusions on implementation of the RT Remuneration Policy.
4. The General Meeting of the Bank Shareholders shall be responsible for assessment whether the approved RT Remuneration Policy in the Bank Millennium Group supports development and ensures security. The General Meeting of Bank Shareholders shall carry out the assessment on the basis of annual report on assessment of RT Remuneration Policy in the Bank Millennium Group, as prepared and submitted by the Bank Supervisory Board.
5. The provisions of this Policy shall apply to the Members of the Supervisory Board to the extent that they are consistent with the provisions of the resolutions of the General Meeting referred to in § 1 Section 5.

## § 3

In the RT Remuneration Policy, unless the context indicates otherwise, the following terms shall have the meaning stipulated below, and terms used in singular shall also refer to plural and vice versa:

- 1) **„Bank”** shall mean Bank Millennium Spółka Akcyjna having head office located in Warsaw, address: ul. Stanisława Żaryna 2A, 02-593 Warszawa, entered into the Register of Entrepreneurs of the National Court Register maintained by District Court for the Capital City of Warsaw, XIII Economic Division of the National Court Register under the number KRS 0000010186, NIP 5260212931;
- 2) **„Not Deferred Part”** shall mean a part of the Bonus, for which the Allocation Date shall be the same as the Rights' Acquisition Date - subject to special regulations of the RT Remuneration Policy relating to the part of the Bonus paid in the form of the Bank's shares
- 3) **„Deferred Part”** shall mean a part of the Bonus for which the Rights' Acquisition Date shall be deferred accordingly relative to

- the Granting Date and shall be settled in tranches in calendar years following the Allocation Date in accordance with principles provided for in the RT Remuneration Policy subject to special regulations of the RT Remuneration Policy relating to the part of the Bonus paid in the form of the Bank's shares;
- 4) **“Member of the Management Board”** shall mean the Chairman, Deputy Chairman, Member of the Management Board;
  - 5) **„Date of Acquisition of Rights”** shall mean the date on which the legal effect occurs involving Risk Taker becoming a legal owner of a specific part of the Bonus, subject to special regulations applicable to a part paid out in the form of Bank shares;
  - 6) **„ Granting Date”** shall mean a date, on which the Bonus is granted, matching the date of granting decision made by relevant body in accordance with the RT Remuneration Policy;
  - 7) **„WSE”** shall mean, respectively, the subsidiary under the name of Giełda Papierów Wartościowych w Warszawie (the Warsaw Stock Exchange” Spółka Akcyjna with head office located in Warsaw or regulated market, under its management, in Poland on which the Bank's shares are traded;
  - 8) **„Bank Millennium Group”** shall mean the Bank together with its subsidiaries - members of the capital group created by the Bank and subject to consolidation duty;
  - 9) **„Labour Code”** the Act of 26 June 1974 - the Labour Code (J.L.2019.1040.i.e.);
  - 10) **Personnel Committee** means the Committee responsible for deciding on the remuneration of Risk Takers I and Risk Takers II respectively
  - 11) **“MAR”** means Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directive 2003/124/WE, 2003/125/EC and 2004/72/EC (Dz.U.UE.L.2014.173.1 with subsequent amendments);
  - 12) **„N”** shall mean calendar year in which Bonus is determined;
  - 13) **„Period of Deferral”** shall mean a period between granting and acquisition of rights to receive Variable Remuneration during which the Risk Taker is not a legal owner of the allocated remuneration;
  - 14) **„Withholding Period”** shall mean the period after the Right Acquisition Date, in which disposal of shares or access thereto is prohibited;
  - 15) **„Bonus Pool”** shall mean the maximum amount of the Variable Remuneration, which may be allocated under the procedure of allocation of the Variable Remuneration, as established by decision of the Personnel Committee of Bank Supervisory Board, for Risk Takers I and decision of the Personnel Committee of Bank Management Board for Risk Takers II;
  - 16) **„Employee Remuneration Policy”** shall mean an employee remuneration policy, separate from the RT Remuneration Policy, applicable in the Bank Millennium Group or other

- document which may change or replace the Employee Remuneration Policy;
- 17) **„RT Remuneration Policy”** shall mean this Remuneration Policy with Respect to Risk Takers in the Bank Millennium S.A. Group;
- 18) **„Bonus”** shall mean annual bonus allocated to a Risk Taker in accordance with rules provided for in the RT Remuneration Policy and constituting a Variable Remuneration component;
- 19) **„Incentive Programme”** shall mean an incentive programme for Risk Takers, as adopted by way of GMS Resolution;
- 20) **„Incentive Programme Bylaws”** shall mean the bylaws governing the Incentive Programme;
- 21) **„Risk Taker”** shall mean a person identified as Risk Taker I or Risk Taker II or Member of the Supervisory Board, in accordance with regulations adopted in the Bank Millennium Group;
- 22) **„Risk Taker I”** shall mean a Member of the Bank Management Board
- 23) **„Risk Taker II”** shall mean a person who is not a member of the Bank Management Board or Bank Supervisory Board, and holding position identified as having material impact of the risk profile in the Bank Millennium Group;
- 24) **„Risk Taker II - Bank Employee”** shall mean a Risk Taker II who is Employee of the Bank;
- 25) **„Risk Taker II - Member of Subsidiary Management Board”** shall mean a Risk Taker II performing a function of Subsidiary Management Board Member;
- 26) **„Risk Taker II - Subsidiary Employee”** shall mean a Risk Taker II who is Employee of the Subsidiary and who is not a Subsidiary Management Board Member;
- 27) **„Regulation”** shall mean the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 in the matter of the risk management system and internal control system as well as remuneration policy in banks;
- 28) **„Subsidiary”** shall mean each and every subsidiary from the Bank Millennium Group, to which the relevant provisions impose an obligation to introduce separate remuneration principles for persons having a significant impact on the institution's risk profile - except for the Bank;
- 29) **„GMS”** shall mean General Meeting of Bank Shareholders;
- 30) **„Fixed Remuneration”** shall mean remuneration received by a Risk Taker, having the following features (i) relative to allocation and amount is based upon criteria established in advance, (ii) it is not discretionary in nature and reflects level of professional experience and location within the official hierarchy, (iii) is transparent in terms of amount allocated, (iv) is continuously effective and may not be limited, suspended nor invalidated, respectively, by the Bank or a Subsidiary, (v) does not constitute incentive to undertake risk and (vi) is not conditional upon results;
- 31) **„Base Salary”** shall mean a monthly, fixed amount of remuneration (a component of Fixed Remuneration) received by Risk Taker, as provided for in the agreement constituting the basis for Employment in the Bank Millennium Group;

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|------------------------------------|--|
| 32) „Variable Remuneration”        | shall mean all Risk Taker’s remuneration components which are not components of the Fixed Remuneration;                  |
| 33) „Employment in the Bank”       | shall mean employment relation or civil law relationship connected with provision of work or services to the Bank;       |
| 34) „Employment in the Subsidiary” | shall mean employment relation or civil law relationship connected with provision of work or services to the Subsidiary; |
| 35) „OGMS”                         | shall mean Ordinary General Meeting of Bank Millennium Shareholders  |

## II. RISK TAKER IDENTIFICATION PRINCIPLES

### § 4

1. The category of Risk takers shall include:
  - 1) Members of the Bank Management Board and Members of Bank’s Supervisory Board;
  - 2) Members of the Subsidiary Management Boards and Supervisory Boards: Millennium Leasing, Millennium TFI and Millennium Bank Hipoteczny S.A;
  - 3) Other employees holding managerial positions, identified as having material impact upon the Bank Millennium Group risk profile according to adopted rules.
2. Employees identified as having material impact only upon the risk profile of the Bank Millennium Group subsidiary are treated as Risk Takers of this subsidiary and are not subject to the remuneration principles of this Policy.
3. If required by separate regulations, Risk Takers of a Subsidiary receive variable remuneration in a financial instrument related to the value of this subsidiary and not to the value of the Bank. In such a case, the variable remuneration of these persons is specified in the separate remuneration policy of the subsidiary and they are not subject to the principles contained in this Policy.

## III. COMPENSATION OF RISK TAKERS

### § 5

1. All benefits or payments financial or non-financial delivered to Risk Takers shall be deemed to constitute remuneration of the Risk Takers in the Bank Millennium Group.
2. In the Bank Millennium Group the Base Salary shall constitute the main source of Risk Takers’ incomes. Variable Remuneration shall constitute additional motivating element of the overall remuneration, referred to in sec. 3 below, while determining the rules for its payment on the principles set out in the RT Remuneration Policy takes into account the rules of proportionality and materiality in relation to the entire Bonus Pool.
3. The Risk Taker’s remuneration shall be composed of, as follows:
  - 1) Fixed Remuneration:
    - a) Base Salary,
    - b) additional compensations and benefits provided for in annexes and memoranda concluded to the employment agreement and incorporated into the category of revenues from employment relation,
    - c) additional benefits provided in accordance with labour law regulations.

- 2) Variable Remuneration.
4. Members of the Supervisory Board receive exclusively fixed remuneration for work in Boards and Committees.
5. The Risk Takers' base Salary shall be determined by:
  - 1) The Personnel Committee of the Bank Supervisory Board -in case of Risk Takers I,
  - 2) The Personnel Committee of Bank Management Board - in case of Risk Takers II - Bank Employees
  - 3) The Supervisory Board of a relevant Subsidiary - on the basis of decisions of Personnel Committee of Management Board of the Bank - in case of Risk Takers II - Members of Subsidiary Management Board,
  - 4) The Management Board of a relevant Subsidiary - on the basis of decisions of Personnel Committee of Management Board of the Bank - in case of Risk Takers II - Subsidiary employees.
6. The Risk Takers' Base Salary shall be determined taking account of, as follows:
  - 1) scope of responsibility,
  - 2) qualifications adequate with the role performed in the organisation,
  - 3) complexity and type of tasks performed,
  - 4) place in official hierarchy,
  - 5) impact upon risk profile, respectively, of the Bank or Subsidiary,
  - 6) information on market remuneration levels with respect to similar positions in institutions representing similar profiles and scale of operations.
7. Remuneration of the Management Board Members should be linked with remuneration provided to other employees by relating remuneration levels to the scope of responsibility and, in particular, risk profile connected with functions they perform.
8. The bonus constitutes a component of Variable Remuneration. Bonus shall be allocated in accordance with principles provided for in the RT Remuneration Policy. Other components of the Variable Remuneration, unless stipulated directly in the RT Remuneration Policy, shall be allocated in accordance with principles provided for in separate internal regulations effective in the Bank Millennium Group.
9. Managers of internal audit units, compliance units, legal units, organisational units responsible for risk management at second level within the area referred to in §3 sec. 1 pt. 2) of the Regulation, and for HR matters in accordance with §28 of the Regulation shall be compensated, with respect to variable Remuneration, for achievement of targets related to the function they perform and their remuneration may not be conditional upon financial performance of area of activity they control, respectively, in the Bank and relevant Subsidiary.
10. Variable Remuneration components of guarantee type shall be exceptional and may be applied solely in the first year of employment of a given Risk Taker.
11. Risk Takers may receive one-off retirement severance paid out in connection with their retirement, in amount higher than the level provided for in the Labour Code.
12. The relation of Variable Remuneration to Fixed Remuneration per annum shall not exceed 100%. In justified cases, except for the remuneration of the head of the internal audit unit, compliance and the unit responsible for risk management, subject to GMS approval, the relation of Variable Remuneration to Fixed Remuneration per annum may be increased but shall not exceed 200%.
13. In line with principles provided for in the RT Remuneration Policy and within the scope in which the Bonus is provided in non-monetary form, the Bonus shall be paid out in the form of Bank's shares in keeping with the Incentive Plan and the Incentive Plan Bylaws. In justified cases, the Bank may change the rules for paying the Bonus in a non-monetary form by introducing, in accordance with separate internal regulations

adopted in this respect, the payment of part of the Bonus in the form of other financial instruments that may constitute a component of the Variable Remuneration referred to in § 25 sec. 2 point 7 of the Regulation.

14. If phantom shares will be chosen as the other financial instrument mentioned in point 13 above and there will be agreement between Bank and the Risk Taker, the Bank may convert the awarded variable remuneration in Shares into phantom shares. Conversion rules are set by Bank's Management Board after recommendation of the Personnel Committee of Supervisory Board. The conversion of Shares into phantom shares shall take place in accordance with the following formula:

$$X = L \times P$$

*X - actual value of tranche for payment after retention period*

*L - number of granted Shares within the tranche for conversion*

*P - average unit price of Bank shares at the closing of the 20 trading sessions preceding day of Personnel Committee vesting the tranche of bonus*

15. If the Risk Taker's Variable Remuneration in a given year in total does not exceed 50 000 EUR and at the same time does not exceed one third of the total annual remuneration of a given Risk Taker, the authority that grants Variable Remuneration in accordance with para. 4 above, may decide to pay the Variable Remuneration without applying the rules set out in §8-§11 or §14-§17 below, i.e. in monetary form, without applying the deferral mechanism.

#### **IV. PRINCIPLES GOVERNING VARIABLE COMPENSATION OF RISK TAKERS I INCLUDING LEGAL RELATION CONSTITUTING BASIS FOR PAYMENT OF REMUNERATION FOR THE BOARD MEMBERS**

##### **§ 6**

1. The following rules shall apply to Members of the Bank's Management Board:
- a) Members of the Management Board are appointed by the Supervisory Board for a 3-year joint term of office,
  - b) an employment contract or other contract is signed with the Member of the Management Board regulating the scope of duties in connection with the performance of the function,
  - c) the periods and conditions for terminating the agreements referred to in item b) above may be each time specified individually in these agreements in accordance with the arrangements of the parties,
  - d) a non-competition agreement may be concluded with Members of the Management Board providing for compensation for refraining from competitive activity after termination of the agreement referred to in item b).
2. In order to determine Variable Remuneration, the Risk Takers I shall be subject to evaluation by the Personnel Committee of the Bank Supervisory Board performed on the basis of the following criteria:
- 1) financial and business results generated by the Bank:
    - a) execution of planned budgets,
    - b) performance relative to competing entities,
    - c) market criteria established for a given evaluation period;
  - 2) financial results of area of operation under management - if applicable;



- 3) non-financial criteria with regard to Risk Taker I including, in particular:
  - a) general management quality within the area of responsibility,
  - b) effective leadership and contribution in the development of the Bank,
  - c) management and supervision of units within the area of responsibility.
3. It is recommended relative to periodical assessment linked with components of variable remuneration of the Risk Takers I to describe in separate document diversified, transparent criteria with regard to financial and non-financial performance, connected with the Bank's business objectives and taking account of the social contents of its operations.
4. The variable remuneration of the Board Member being the Chief Risk Officer shall be based on qualitative and quantitative indicators which relate to prudential and behavioural rules, as well as the performance of the Bank's risk profile.
5. Detailed criteria and conditions for granting Variable Remuneration, determined individually for each Risk Taker I, shall be established by the Personnel Committee of the Bank Supervisory Board.
6. Evaluation period shall be 3 calendar years preceding the year in which evaluation is performed.

## § 7

1. The Bonus for Risk Takers I, taking account of criteria referred to in §6 sec. 1-3 above, shall be conditional upon the Bonus Pool for a given calendar year allocated to Risk Takers I.
2. When determining the Bonus Pool, there is no obligation to distribute the entire Bonus Pool among Risk Takers I.
3. The Risk Taker I Bonus Pool shall be determined on the basis of the following criteria:

<b>Criterion:</b>	<b>Assumptions regarding criteria of allocation and amount of the Bonus Pool:</b>
1) Results generated by the Bank Millennium Group - level of the Bank's net profit in absolute terms and level of execution of the net profit plan, result on banking activity, C/I, ROE	The level of the Bonus Pool shall be correlated with generation of the result on banking activity, net profit, cost/income ratio, ROE and shall not exceed 2% of the consolidated net profit.
2) The level of capital adequacy ratio at both solo and consolidated level	Capital adequacy ratios in the period under evaluation, shall not be lower than levels of Overall Capital Requirements "OCR" (combined buffer included) . Bonus pool may be calculated also during realization of recovery plan or capital protection plan, meeting certain conditions*.
3) Levels of risk ratios illustrating the Bank's liquidity	In the period under evaluation, the risk ratios relative to Bank's liquidity shall not be lower than levels acceptable to KNF. Bonus Pool may be increased alongside improvement of the ratios.

*\*during the phase of recovery plan and capital protection plan, the maximal bonus pool should be calculated as net profit times (\*) Multiplier:*

*(a) 0,6 - if the capital gap to fulfill OCR is lower than 25% of overall value needed to cover Combined buffer requirements;*

*(b) 0,4 - if the capital gap to fulfill OCR is in the range  $\geq 25\%$  and  $< 50\%$  of overall value needed to cover Combined buffer requirements;*

*(c) 0,2 - if the capital gap to fulfill OCR is in the range  $\geq 50\%$  and  $< 75\%$  of overall value needed to cover Combined buffer requirements;*

4. As indicative the Bonus Pool for Risk Takers I should not exceed 2% of consolidated net profit for the Bank Millennium Group, however in special circumstances and under the recommendation of the Personnel Committee, the Supervisory Board may waive this indicative limit.
5. Bonus Pool for Risk Takers I shall not exceed 100% of the total Fixed Remuneration of Risk Takers I.
6. The level of total Bonus for all Risk Takers I shall not exceed the Bonus Pool as determined for the Risk Takers I.

## § 8

1. In case the Risk Taker I meets the Bonus eligibility conditions, subject to paragraph 2 below, the Bonus shall be granted in the amount of:
  - 1) 50% of the Bonus - as provided for in §9 below (Not Deferred Part),
  - 2) 50% of the Bonus - as provided for in §10 below (Deferred Part).
2. If a Bonus of over PLN 2,000,000 is awarded, the Non-Deferred Bonus Part is 40%, and the Deferred Part Bonus is 60%.
3. The Deferred Part shall be conditional upon re-evaluation of the Risk Taker I in consecutive evaluation periods i.e. its amount may be reduced, and in justified cases Bonus granting may be revoked. Re-evaluation, prior to disbursement of Deferred Part of the Bonus shall be performed by the Personnel Committee of the Bank Supervisory Board.
4. Bonus shall be granted or the right to Bonus shall be acquired on the grounds of the decision made by the Personnel Committee of the Bank Supervisory Board.
5. Risk Taker I shall acquire the right to receive Not Deferred Part on the basis of decision of the Personnel Committee of the Bank Supervisory Board on granting Bonus for a given evaluation period. The date of decision referred to in preceding sentence shall be the Date of Acquisition of Rights to the Not Deferred Part.
6. Risk Taker I shall acquire the right to receive Deferred Part on the basis of decision of the Personnel Committee of the Bank Supervisory Board on granting Deferred Part, as issued after re-evaluation referred to in sec. 3 above. Decision date, referred to in preceding sentence, shall constitute the Date of Acquisition of Rights to the Deferred Part.
7. Personnel Committee of the Bank Supervisory Board shall make decisions referred to in sec. 4 above not later than within 90 days from the day on which the OGMS was held to approve consolidated financial statement of the Bank Millennium Group for the previous accounting year.
8. The decision on granting the Bonus shall specify the number of Shares with which the Not Deferred Part shall be paid as well as tranches of the Deferred Part. (specification of the number of shares to be paid).
9. The number of Bank's shares shall be calculated in accordance with the following formula:

$$L = \frac{X1}{P1}$$

*L - the number of Bank's shares*

*X1 - 50% of the amount of the Bonus in PLN*

*P1 - average price of 1 Bank share, as quoted on WSE at the closing of the 20 sessions preceding the Date of Granting.*

10. During Deferral Period and Retention Period no hedging strategies regarding the value of Bank's shares shall be permitted.

#### **§ 9**

1. The Not Deferred Part shall be paid out in accordance with the following principles:
  - 1) The first half (50%) of the Not Deferred Part shall be paid out in cash not later than within 30 days from the Date of Acquisition of Right to the Not Deferred Part,
  - 2) The second half (50%) of the Not Deferred Part shall be paid out in the form of Bank's shares in accordance with provisions of the Incentive Programme and the Incentive Programme Bylaws, not later than within 30 days from expiry of the Deferral Period of 12 months, calculated from the Date of Acquisition of Right to the Not Deferred Part. In a situation when the payment was to fall within a closed period within the meaning of art. 19 par. 11 MAR, the payment date will be appropriately shifted according to the Regulations of the Incentive Scheme.

#### **§ 10**

1. The right to the Deferred Part shall be acquired in five tranches:
  - 1) the first tranche after the Deferral Period of 1 year (N+1) - 20%,
  - 2) the second tranche after the Deferral Period of 2 years (N+2) - 20%,
  - 3) the third tranche after the Deferral Period of 3 years (N+3) - 20%,
  - 4) the fourth tranche after the Deferral Period of 4 years (N+4) - 20%,
  - 5) the fifth tranche after the Deferral Period of 5 years (N+5) - 20%,
2. Each Deferred tranche shall be paid out in accordance with the following principles:
  - 1) The first half (50%) of each tranche of the Deferred Part shall be paid out in cash not later than within 30 days from the Date of Acquisition of Right to a given tranche of the Deferred Part,
  - 2) The second half (50%) of each tranche of the Deferred Part shall be paid out in the form of Bank's shares in accordance with provisions of the Incentive Programme and the Incentive Programme Bylaws, not later than within 30 days from expiry of the Deferral Period of 12 months, calculated from the Date of Acquisition of Right to the Deferred Part. In a situation when the payment was to fall within a closed period within the meaning of art. 19 par. 11 MAR, the payment date will be appropriately shifted according to the Regulations of the Incentive Scheme.

#### **§ 11**

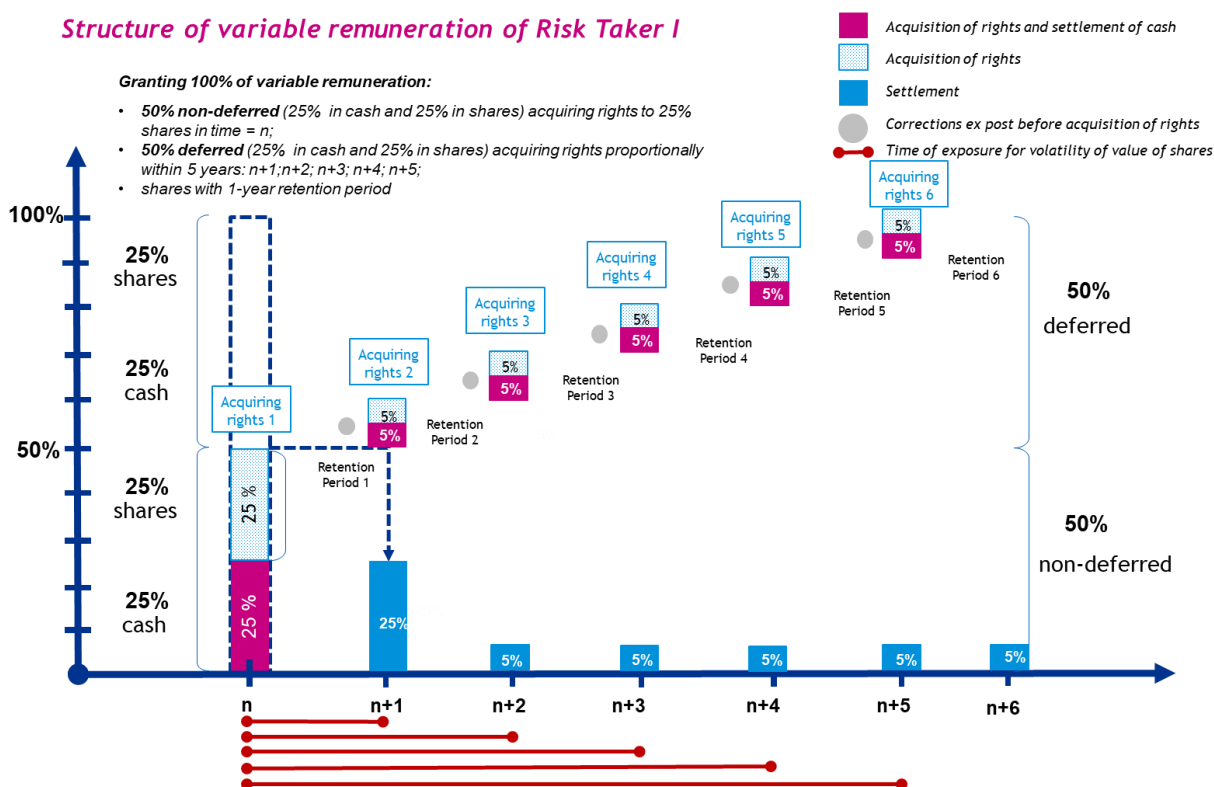
1. The Personnel Committee of the Bank Supervisory Board shall have the right to decide not to pay, to suspend until the next year or to reduce the Deferred Part allocated to a given Risk Taker I in the following cases:
  - 1) loss or material decrease of the Bank Millennium Group's net profit in effect of decisions made by a given Risk Taker I in the period under evaluation,
  - 2) occurrence of a high risk of loss generated in effect of decisions of a given Risk Taker I implemented in the period under evaluation,
  - 3) insufficient level of capital adequacy ratio (CAR), significant deterioration of liquidity ratios or other specific recommendations issued by KNF and effective at the moment of re-evaluation of results of the period under evaluation, as

influenced by decisions made by a given Risk Taker I in a given period under evaluation,

- 4) failure by a given Risk Taker I, including as a result of an error, towards standards or principles arising from the internal regulations of the Bank or the Subsidiary, respectively, in the performance of official duties, in particular regarding risk,
- 5) occurrence of serious irregularities in risk management in the Bank or the Subsidiary due to omissions or decisions made by a given Risk Taker I in the assessed period.

Scheme 1

**Structure of variable remuneration of Risk Taker I**



**V. PRINCIPLES GOVERNING VARIABLE COMPENSATION OF RISK TAKERS II**

**§ 12**

1. In order to determine Variable Remuneration, the Risk Takers II shall be subject to evaluation by:
  - 1) the Personnel Committee of the Bank Management Board performed on the basis of recommendation submitted by supervising Members of the Management Board - Risk Takers II - Bank Employees,
  - 2) by the Supervisory Board of relevant Subsidiary on the basis of recommendation submitted by the Personnel Committee of the Bank Millennium - Risk Takers II - Members of Subsidiary Management Board;
  - 3) by the Management Board of relevant Subsidiary - Risk Takers II - Subsidiary Employees.
2. Evaluation shall be performed on the basis of the following criteria:
  - 1) financial result, respectively, of the Bank or the Subsidiary,

- 2) results generated by business line/unit/individual performance , including impact on risk profile - if defined,
- 3) non-financial criteria with regard to Risk Taker II:
  - a) cooperation;
  - b) commitment;
  - c) quality;
  - d) effectiveness;
  - e) team management.
3. Detailed criteria and conditions governing allocation of Variable Remuneration individually to each Risk Taker II shall be determined by the Bank Management Board.
4. Evaluation period shall be 3 calendar years preceding the year in which evaluation is performed.

### § 13

1. The Bonus for Risk Takers II, taking account of criteria referred to in §12 sec. 2-3 above, shall be conditional upon the Bonus Pool for a given calendar year allocated to Risk Takers II.
2. The Bonus Pool for Risk Takers II shall be determined by the Bank Management Board.
3. The Personnel Committee of the Bank Management Board shall have no obligation to distribute the entire Bonus Pool between Risk Takers II.
4. The Risk Taker II Bonus Pool shall be determined on the basis of the following criteria:

<b>Criterion:</b>	<b>Assumptions regarding criteria for allocation and level of the Bonus Pool:</b>
1) Results generated by the Bank Millennium Group - level of the Bank Millennium Group's net profit in absolute terms and level of execution of the net profit plan, result on banking activity, C/I, ROE	The level of the Bonus Pool shall be correlated with generation of the result on banking activity, net profit, cost/income ratio, ROE and shall not exceed 1,5 time the amount of the budget for this purpose.
2) The level of capital adequacy ratio at both solo and consolidated level	Capital adequacy ratios in the period under evaluation, shall not be lower than levels of Overall Capital Requirements "OCR" (combined buffer included) Bonus pool may be calculated also during realization of recovery plan or capital protection plan, meeting certain conditions*.
3) Levels of ratios illustrating the Bank Millennium Group liquidity	Risk ratios relative to the Bank Millennium Group liquidity in the period under evaluation, shall not be lower than levels acceptable to the KNF. Bonus Pool may be increased alongside improvement of the ratios.

*\*during the phase of recovery plan and capital protection plan, the maximal bonus pool should be calculated as net profit times (\*) Multiplier:*

*(a) 0,6 - if the capital gap to fulfill OCR is lower than 25% of overall value needed to cover Combined buffer requirements;*

*(b) 0,4 - if the capital gap to fulfill OCR is in the range  $\geq 25\%$  and  $< 50\%$  of overall value needed to cover Combined buffer requirements;*

*(c) 0,2 - if the capital gap to fulfill OCR is in the range  $\geq 50\%$  and  $< 75\%$  of overall value needed to cover Combined buffer requirements;*

5. The level of total Bonus for all Risk Takers II shall not exceed the Bonus Pool as determined for the Risk Takers II.

#### § 14

1. In case the Risk Taker II meets the Bonus eligibility conditions, subject to paragraph 2 below, the Bonus shall be granted in the amount of:
  - 1) 60% of the Bonus - as provided for in §15 below (Not Deferred Part),
  - 2) 40% of the Bonus - as provided for in §16 below (Deferred Part).
2. If a Bonus of over PLN 2,000,000 is awarded, the Non-Deferred Bonus Part is 40%, and the Deferred Part Bonus is 60%.
3. The Deferred Part shall be conditional upon re-evaluation of the Risk Taker II in consecutive evaluation periods i.e. its amount may be reduced, and in justified cases Bonus granting may be revoked. Re-evaluation, prior to disbursement of Deferred Part of the Bonus shall be performed by the relevant bodies in keeping with §12 sec. 1 above.
4. Bonus shall be granted or the right to Bonus shall be acquired on the grounds of the decision made by the appropriate bodies enumerated §12 section 1 above.
5. Risk Taker II shall acquire the right to receive Not Deferred Part on the basis of decision of the appropriate bodies enumerated §12 section 1 above, on granting Bonus for a given evaluation period. The date of decision referred to in preceding sentence shall be the Date of Acquisition of Rights to the Not Deferred Part.
6. Risk Taker II shall acquire the right to receive Deferred Part on the basis of decision of the appropriate bodies enumerated §12 section 1 above granting the Deferred Part, as issued after re-evaluation referred to in sec. 3 above. Decision date, referred to in preceding sentence, shall constitute the Date of Acquisition of Rights to the Deferred Part.
7. The appropriate bodies enumerated §12 section 1 above, shall make decisions referred to in sec. 4 above not later than within 30 days from the day on which the consolidated financial statement of the Bank Millennium Group for the previous accounting year was presented to the Supervisory Board.
8. The decision on granting the Bonus shall specify the number of Shares with which the Not Deferred Part shall be paid as well as tranches of the Deferred Part. (specification of the number of shares to be paid).
9. The number of Bank's shares shall be calculated in accordance with the following formula:

$$L = \frac{X1}{P1}$$

*L - the number of Bank's shares*

*X1 - 50% of the amount of granted bonus in PLN*

*P1 - average price of 1 Bank share, as quoted on WSE at the closing of the 20 sessions preceding the Date of Granting.*

10. During Deferral Period and Retention Period no hedging strategies regarding the value of Bank's shares shall be permitted.

## **§ 15**

1. The Not Deferred Part shall be paid out in accordance with the following principles:
  - 1) The half (50%) of the granted Bonus shall be paid out in cash not later than within 30 days from the Date of Acquisition of Right to the Not Deferred Part,
  - 2) The (10%) of the granted Bonus shall be paid out in the form of Bank's shares in accordance with provisions of the Incentive Programme and the Incentive Programme Bylaws, not later than within 30 days from expiry of the Deferral Period of 12 months, calculated from the Date of Acquisition of Right to the Not Deferred Part. In a situation when the payment was to fall within a closed period within the meaning of art. 19 par. 11 MAR, the payment date will be appropriately shifted according to the Regulations of the Incentive Scheme.

## **§ 16**

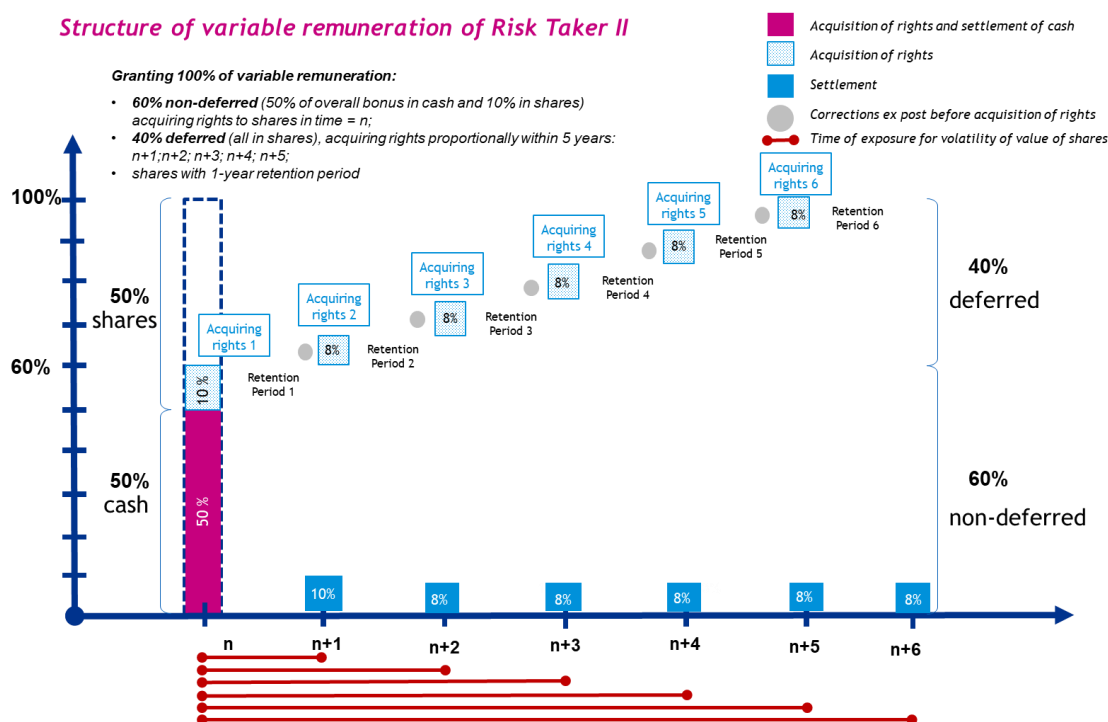
1. The right to the Deferred Part shall be acquired in five tranches:
  - 1) the first tranche after the Deferral Period of 1 year (N+1) - 20%,
  - 2) the second tranche after the Deferral Period of 2 years (N+2) - 20%,
  - 3) the third tranche after the Deferral Period of 3 years (N+3) - 20%,
  - 4) the fourth tranche after the Deferral Period of 4 years (N+4) - 20%,
  - 5) the fifth tranche after the Deferral Period of 5 years (N+5) - 20%
2. Each tranche of the Deferred Part shall be paid in the form of Bank's shares in accordance with provisions of the Incentive Programme and the Incentive Programme Bylaws, not later than within 30 days from the Date of Acquisition of Right to the Deferred Part. In a situation when the payment was to fall within a closed period within the meaning of art. 19 par. 11 MAR, the payment date will be appropriately shifted according to the Regulations of the Incentive Scheme.

## **§ 17**

1. The Bank Management Board shall have the right to decide not to pay, to suspend until the next year or to reduce the Deferred Part allocated to a given Risk Taker II in the following cases:
  - 1) loss or material decrease of, respectively, the Bank or the Subsidiary net profit in effect of decisions made by a given Risk Taker II in the period under evaluation,
  - 2) occurrence of high risk of loss generated in effect of decisions of a given Risk Taker II implemented in the period under evaluation,
  - 3) insufficient level of capital, significant deterioration of liquidity ratios or other specific recommendations issued by KNF and effective at the moment of re-evaluation of results of the period under evaluation, as influenced by decisions made by a given Risk Taker II in a given period under evaluation,
  - 4) failure by a given Risk Taker II, including as a result of an error, towards standards or principles arising from the internal regulations of the Bank or the Subsidiary, respectively, in the performance of official duties, in particular regarding risk,
  - 5) occurrence of serious irregularities in risk management in the Bank or the Subsidiary due to omissions or decisions made by a given Risk Taker II in the assessed period.

## Scheme 2

### Structure of variable remuneration of Risk Taker II



## VI. FINAL PROVISIONS

### § 18

- Conflicts of interest related to remuneration are minimized by:
  - transparent and multi-level decision-making process,
  - formalized and clear rules regarding the assessment of results,
  - independent assessment of the functioning of the remuneration system.
- In order to minimize conflicts of interest, the Bank has implemented an appropriate internal regulations that ensures proper management of conflicts (including conflicts that may arise due to the application of the Policy), through:
  - identifying and reporting to appropriate units,
  - assessing and estimating their impact on the interests of the Bank, customers shareholders and other stakeholders,
  - eliminating or minimizing through properly implemented countermeasures,
  - in the event that a conflict of interest could affect the interests of clients - their immediate disclosure to clients,
  - reporting to the competent authorities of the Bank.

### § 19

- If it is necessary to realize long-term interests and financial stability of the Bank or to guarantee its profitability, the Bank's Supervisory Board may decide to temporarily withdraw from the application of the Policy or some of its regulations.
- The bank may in particular withdraw from those elements of the Policy that may adversely affect the adequacy of remuneration to the condition, scale of operations and development potential of the Group.



3. Withdrawal from the implementation of the Policy or part of it shall be specified in the resolution by the Supervisory Board, alone or on a motivated request of the Management Board.

#### **§ 20**

1. The Bank's Management Board is responsible for developing the proposal of the RT Remuneration Policy and its periodic review.
2. The proposal of the RT Remuneration Policy is consulted by the Personnel Committee of the Supervisory Board before submission to the Supervisory Board for approval.
3. The RT Remuneration Policy and its changes are adopted by the Supervisory Board.
4. The Management Board performs information obligations related to the RT Remuneration Policy.
5. The Supervisory Board's remuneration policy is established and reviewed in a manner appropriate to the mode of adopting and reviewing particular sources of regulations defining the policy, indicated in § 1 section 5. The Supervisory Board is a body taking the initiative in the scope of policy design and ensuring consistency of regulations in this respect, consulting the considered solutions with the Supervisory Board's Personnel Committee. The Supervisory Board's remuneration policy is implemented in cooperation with the Management Board.

#### **§ 21**

1. Changes in the current version of the RT Remuneration Policy - compared to the previous one:
  - 1) corrections of definitions "Risk Taker", "Risk Taker II", "Personnel Committee", "Regulation";
  - 2) adjustment of § 4 point 2 with respect to category of Risk Takers;
  - 3) adding explanatory § 5 point 4;
  - 4) adding exclusion concerning the control functions in § 5 point 12;
  - 5) adding § 5 point 14 describing the possibility of use of phantom shares as financial instrument;
  - 6) adjustment of § 8 point 9 and § 14 point 9 concerning number of WSE closing sessions in formula of calculating number of shares;
  - 7) adjusting § 7 point 3 and § 13 point 4 concerning capital requirements as condition to calculate bonus pool.