

Principles of Acting in the Best Interest of the Client in the Financial Markets Area of mBank S.A.

Information for Clients



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I. General provisions

1. The Principles of Acting in the Best Interest of the Client in the Financial Markets Area of mBank S.A. ("**Principles**") specify, in particular, the principles upon which we execute orders and act in order to obtain the best possible result for our Clients in connection with the provision of the service of executing orders to buy or sell financial instruments and act in the best interest of the Client with regard to the service of reception and transmission of orders to buy or sell financial instruments.
2. The purpose of these Principles is to comply with the laws, in particular the Act of 29 July 2005 on Trading in Financial Instruments and Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.
3. We apply the Principles to Retail Clients and Professional Clients. They do not apply to Eligible Counterparties.
4. Aside from the rules set out in the Principles, we comply with the overriding obligation to act reliably and professionally in accordance with the rules of fair trading and in the best interest of our Clients; in particular, we take measures aimed at effective identification, management and monitoring of situations that may potentially lead to an infringement of the Client's interest (conflict of interest). The standards we apply in order to avoid, duly identify and manage conflicts of interest are described in the Conflict of Interest Management Policy available at <https://www.mbank.pl/pomoc/akty-prawne/dyrektywa-mifid/>.

II. The terms used in the Principles have the following definitions

Bank	mBank S.A.;
Client	a Retail Client or a Professional Client who enters into Transactions with the Bank in the financial markets area, excluding Eligible Counterparties;
Retail Client	a retail client within the meaning of the Act. Detailed information on client categorisation is available at www.mbank.pl/en/help/forms/sme-corporate/financial-market/financial-market-transactions/information-on-categoriation-of-clients-in-accordance/ ;
Financial Instrument	a financial instrument within the meaning of the Act;
Professional Client	a professional client within the meaning of the Act. Detailed information on client categorisation is available at www.mbank.pl/en/help/forms/sme-corporate/financial-market/financial-market-transactions/information-on-categoriation-of-clients-in-accordance/ ;
Eligible Counterparty	an eligible counterparty within the meaning of the Act. Detailed information on client categorisation is available at www.mbank.pl/en/help/forms/sme-corporate/financial-market/financial-market-transactions/information-on-categoriation-of-clients-in-accordance/ ;
Transaction	any transaction in Financial Instruments;
Mark-up	the difference between the price of a Transaction quoted for the Client and the Price of Maintaining a Position by the Bank;
Guaranteed Mark-up	the amount of the Mark-up which cannot be exceeded when quoting individual types of Transactions;
Price of Maintaining a Position	an internal buy or sell price of a Financial Instrument which does not include the Mark-up;
Transaction Price	the Price of Maintaining a Position increased or reduced by the Mark-up;
Act	Act of 29 July 2005 on Trading in Financial Instruments (as amended).

III. Scope of application of the Principles

1. Clients

We apply the Principles to Transactions concluded with Clients from the Retail Client or Professional Client category. Prior to establishing cooperation in the scope covered by the Principles, we inform Clients about their category. The Principles do not apply to Clients assigned to the Eligible Counterparty category.

2. Services

We apply the Principles to:

- the service of executing orders to buy or sell financial instruments on the ordering party's account, i.e. the service referred to in Article 69 (2) of the Act, and
- the service of reception and transmission of orders to buy or sell financial instruments, i.e. the service referred to in Article 69 (2) (a) of the Act; however, in the scope covered by these Principles, we provide this service only to Professional Clients in the scope of primary market transactions to buy non-Treasury debt securities.

As a bank, we provide these services under Article 70 (2) of the Act.

3. Financial Instruments

The Principles apply to Transactions in the following categories of Financial Instruments:

- debt securities (Polish Treasury and non-Treasury debt securities and foreign debt securities);
- foreign currency derivatives, including dual-currency investments;
- interest rate derivatives;
- commodity derivatives and derivatives on emission allowances.

IV. Requirement to act in the best interest of the Client as part of the service of executing orders to buy or sell Financial Instruments on the ordering party's account (order execution)

1. Principles of order execution

- a. We execute Client orders on terms agreed with the Client under the relevant agreement concluded between the Client and the Bank;
- b. An order is executed by concluding a Transaction with the Client;
- c. We act as the other party to Transactions concluded in order to execute Client orders;
- d. Client orders are executed on the OTC (Over-the-Counter) market, i.e. outside a trading venue (outside a regulated market (RM), multilateral trading facility (MTF) or an organised trading facility (OTF)), to which the Client consents;
- e. In relation to the execution of Client orders, we do not accept any monetary or non-monetary benefits, which could constitute investment inducements;
- f. Client orders are recorded promptly and accurately, in accordance with the relevant internal regulations of the Bank;
- g. Client orders are executed sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the Client require otherwise;
- h. We are responsible for due settlement of Transactions concluded as a result of order execution, and we take reasonable steps to ensure prompt and correct settlement unless a third party, e.g. a clearing house, is responsible for overseeing or arranging the settlement of an executed order;
- i. We do not misuse information on pending orders and take reasonable steps to prevent the misuse of such information by any of our relevant persons;
- j. As a rule, we do not aggregate Client orders with own orders or orders placed by other Clients. The only exception to this principle are Transactions in debt securities;
- k. When executing primary market transactions to buy debt securities issued by the Bank, we allocate the debt securities in accordance with the allocation rules set out by the Bank in the documentation of a given issue. In the case of orders to buy, sell or swap Polish bonds issued or guaranteed by the State Treasury during auctions organised by the National Bank of Poland (NBP) as the issue agent, we allocate the bonds in a proportional manner in accordance with the allocation applied by the Ministry of Finance or the issuer (in the case of bonds guaranteed by the State Treasury) to orders with a given price level.

2. Obtaining the best possible result for the Client

We aim to obtain the best possible result for the Client, taking into consideration the price of the Financial Instrument, costs connected with executing the order, the time of concluding the Transaction, probability of Transaction conclusion and settlement, order size and nature.

We determine the relative importance of individual factors according to the following criteria:

- Client's characteristics, in particular the Client's category (Retail Client or Professional Client);
- characteristics of the Client order and of the Financial Instruments that are the subject of the order;
- execution venues to which a given order may be directed.

The relative importance we assigned to these factors are:

- price of a Financial Instrument: high;
- order execution costs: high;
- time of concluding a Transaction: low;
- probability of Transaction conclusion and settlement: high;
- order size and nature: low.

When assigning the relative importance, we gave particular significance to the price of a Financial Instrument, order execution costs and the probability of Transaction conclusion and settlement.

In the case where an order is placed by a Retail Client, the best possible result is defined in terms of the total consideration, representing, in particular, the price of the Financial Instrument and the costs relating to execution, which include all expenses incurred by the Client which are directly relating to the execution of the order, including Transaction fees, Transaction clearing and settlement fees, and costs paid to third parties involved in the execution of the order.

To obtain the best possible result for the Client, we aim to ensure the fairness of the Transaction Price, which equals the Price of Maintaining a Position increased or decreased by the Mark-up.

In order to ensure the fairness of the Price of Maintaining a Position, we introduced relevant rules governing its determination.

When determining the Price of Maintaining a Position, which forms the basis for quoting a Transaction for the Client, we take into account a number of factors, in particular: Transaction type, underlying asset, nominal value, tenor, Transaction side (buy or sell), instrument valuation model and costs of maintaining and managing the position, including the prices of hedging instruments. When entering into a Transaction with the Client and accepting it for the Bank's own portfolio, the Bank assumes a number of risks, including both market and credit risks, which it needs to mitigate by concluding hedging transactions.

We implemented independent mechanisms monitoring the application of the introduced rules. We monitor the fairness of the Price of Maintaining a Position based on the current values of the market parameters and/or prices of the Financial Instruments available to the Bank and we gather market data.

In order to ensure the fairness of the Mark-up, which we treat as the order execution cost, we introduced relevant rules governing its determination and independent mechanisms monitoring its application. We ensure that the Mark-up related to order execution does not exceed the Guaranteed Mark-up. We provide Clients with information on the Guaranteed Mark-up in the document titled "Information on Mark-up". Additionally, in the case of Retail Clients, the Mark-up included in the Transaction Price is presented before the conclusion of a Transaction as an amount and as a percentage (it can be an estimate). This information can also be provided to Professional Clients.

3. Order execution venues

We identified the Bank's own portfolio as an order execution venue that allows the Bank to meet its obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of Client orders. When executing a Client order, we enter into a Transactions on the Bank's own account with the Client.

This means that Client orders are executed on the OTC (Over-the-Counter) market, i.e. outside a trading venue (outside a regulated market (RM), multilateral trading facility (MTF) or an organised trading facility (OTF)). Order execution outside a trading venue might entail additional risks, among other things, elevated counterparty risk and the risk of lower liquidity than in the case of orders executed on a regulated market.

When selecting the execution venue, we took into account a number of factors, in particular, the price of an instrument including its purchase or sale cost, the time of concluding the Transaction, probability of Transaction conclusion and settlement, and the nature of the Retail or Professional Client. In our opinion, order execution with the use of the Bank's own portfolio ensures the highest probability of Transaction conclusion.

The Bank executes Retail and Professional Client orders with the use of its own portfolio for the following categories of Financial Instruments:

- debt securities (Polish and foreign debt securities, Treasury and non-Treasury debt securities),
- foreign currency derivatives, including dual-currency investments;
- interest rate derivatives;
- commodity derivatives and derivatives on emission allowances.

As a rule, when executing Client orders with the use of the own portfolio, we manage the market risk position on a portfolio basis, within the applicable risk limits. For certain categories of Financial Instruments, in particular commodity derivatives, derivatives on emission allowances and certain foreign securities, we immediately conclude reverse transactions so as not to be exposed to market risk. We conclude reverse transactions with counterparties being order execution venues, i.e. regulated markets (RM), multilateral trading facilities (MTF), organised trading facilities (OTF), systematic internalisers (SI), market makers or other liquidity providers. The counterparties with which we conclude reverse transactions are recognised order execution venues with which we have signed relevant documents and determined risk limits.

We perform regular reviews as part of which we compare the Bank's own portfolio with other order execution venues to which the Bank has access. Where necessary, we update the Principles, especially where we need to change an order execution venue that, in our opinion, allows the Bank to meet its obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of Client orders.

4. Determination of detailed conditions for order execution

Determination by the Client of detailed conditions for order execution may prevent us from taking steps to obtain the best possible result for the Client in line with the provisions of the Principles in the scope of these detailed conditions.

V. Requirement to act in the best interest of the Client as part of the service of reception and transmission of orders to buy or sell Financial Instruments (reception and transmission of orders)

1. We provide the service of reception and transmission of orders where the Clients purchase non-Treasury debt securities on the primary market. In this case, as part of the service of reception and transmission of orders, the Bank collects a non-Treasury debt security and a statement on accepting the offer to purchase the given non-Treasury debt security (order) from the Client and transmits it to the issuer.
2. We fulfil the requirement to act in the best interest of the Client by transmitting to the issuer the Client's statement on accepting the offer to purchase the non-Treasury debt security in accordance with its contents (order volume) and the price indicated in the said statement.
3. We collect the Client's statements and transmit them to the issuer in the form and within the deadlines determined in the issuer's legal documentation that governs the given issue of non-Treasury debt securities. In such a case, the order execution venue is the issuer of the non-Treasury debt securities.

VI. Monitoring of the process of obtaining the best result for the Client; reviews of and amendments to the Principles

1. We regularly monitor the process of obtaining the best possible result for the Client, in particular in the scope of ensuring that the Transaction Price, which equals the Price of Maintaining a Position increased or decreased by the Mark-up, is fair. This process is executed by independent units of the Bank.
2. We carry out regular reviews of the Principles. The reviews take place at least once a year, as well as whenever significant regulatory changes or changes in the Bank's operating model occur or whenever significant circumstances occur that may have an impact on acting in the best interest of the Client.
3. At the Client's written request, we indicate how we comply with the Principles with regard to a given order subject to the Principles.
4. In the case of the service of reception and transmission of orders, at a justified written request of the Client, we provide them with information on entities to which orders were transmitted or transferred for execution.
5. Guaranteed Mark-ups are covered by regular reviews, which are conducted at least once a year. We publish the current Guaranteed Mark-up levels in the "Information on Mark-up" document on our webpage www.mbank.pl/en/help/forms/sme-corporate/financial-market/information-on-mark-up/.
6. We inform our Clients about important changes to the manners in which we execute Orders or receive or transmit Orders and about amendments to the Principles. The Principles are amended in line with the procedure and the rules set out in the Terms and Conditions "Rules of Cooperation for Financial Market Transactions", the Terms and Conditions "Rules of Cooperation for Financial Market Transactions for Institutional Clients", the Terms and Conditions "Rules of Cooperation for Financial Market Transactions for Consumers", or in the relevant agreement concluded with the Client. The currently applicable version of the Principles is available at www.mbank.pl/en/help/forms/sme-corporate/financial-market/best-execution/. The currently applicable version of the Terms and Conditions "Rules of Cooperation for Financial Market Transactions" is available at www.mbank.pl/en/help/forms/sme-corporate/financial-market/financial-market-transactions/terms-condition-rules-of-cooperation-market-transaction/.

The currently applicable version of the Terms and Conditions "Rules of Cooperation for Financial Market Transactions for Institutional Clients" is available at www.mbank.pl/en/help/forms/sme-corporate/financial-market/financial-market-transactions/terms-condition-rules-of-cooperation-institutional-client/.

The currently applicable version of the Terms and Conditions "Rules of Cooperation for Financial Market Transactions for Consumers" is available at <https://www.mbank.pl/en/help/forms/sme-corporate/financial-market/financial-market-transactions/terms-condition-rules-of-cooperation-consumers/>.

VII. The Client consents to being bound by the Principles.

VIII. The Principles enter into force on 1 October 2024.