# Information on categorization of mBank S.A. Clients in accordance with MiFID

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mBank.pl

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## I. General information

This information outlines the manner in which mBank's clients are classified in accordance with MiFID. Please, read it if you are:
- a sole trader,
- a legal person,
- an organisational unit without legal personality having legal capacity under law.

### What is MiFID?

It is a European regulation aimed at:
- strengthening the protection of clients investing in financial instruments or using other services related to trading in financial instruments,
- increasing the transparency of companies such as ours.

### Legal basis

- MiFID:
  - Directive 2014/65/EU of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU,
  - Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 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,
- the Act of 29 July 2005 on Trading in Financial Instruments.

### What obligations does MiFID impose on us?

We are required to introduce categorization of clients for whom we perform activities related to trading in financial instruments.
Based on this categorization:
- we assign an **adequate level of protection to clients**,
- we **adjust the scope of information** provided on investment products and services or other services related to trading in financial instruments to the client's knowledge and experience in the investment field.

**Whenever we refer to:**
- financial instruments – we also mean structured deposits,
- the act – we mean the Act of 29 July 2005 on Trading in Financial Instruments,
- an agreement – we mean an agreement for the provision of services related to trading in financial instruments (e.g. a framework agreement for financial market transactions).

### How do we categorize our clients?

This table describes the client categories and the level of protection assigned to them in accordance with MiFID:

| **category of clients** | **retail client** | **professional client** | **eligible counterparty** |
|---|---|---|---|
| **scope of protection** | highest | medium | lowest |

In addition, we apply the principles concerning:
- **retail and professional clients** – the protection level assigned covers **all**:
  - types of services related to trading in financial instruments that we provide to the client,
  - financial instruments or transactions that the customer enters into with us,
- **eligible counterparties** – we provide **different** levels of protection depending on whether the client acts as an eligible counterparty or a professional client in a given situation.

### How do we provide information?

- on a durable medium (e.g. as a PDF attachment to an e-mail), or
- on our website.

### How can you contact us about MiFID-related matters?

Please send your correspondence (by letter or e-mail):
- signed in accordance with **rules of client representation**,
- with "**MiFID**" annotation,
- to the corporate branch servicing your company.

Should you have any questions, please contact your account manager at the bank.

## II. Professional Client

A professional client is a client who has adequate investment experience, knowledge and expertise to:
- make proper investment decisions or decisions concerning other services connected with trading in financial instruments,
- properly assess the risks they involve.

If a professional client no longer meets the conditions to be defined as a professional client, such client is required to notify us in writing.

The types of entities that are considered professional clients are defined in the Act of 29 July 2005 on Trading in Financial Instruments.

### Scope of protection

A professional client enjoys the **medium level of protection** determined in accordance with MiFID. This means that:

- we do not carry out an adequacy test. We believe that a professional client has the necessary level of experience, knowledge and expertise to make proper investment decisions. Such a client can also properly assess the risks they involve,
- we provide the client with information about mBank and investment services,
- we provide a general description of the nature of financial instruments and the risks associated with investing in them – so that the client is able to make informed investment decisions,
- we present **the principles for acting in the best interests of the client,**
- we provide information on costs and related fees,
- we provide the client with regular reports on the service provided. The frequency and scope of the reports are specified by law.

If we provide a service consisting in execution of a professional client's orders, we additionally:

- provide the client with information on the applicable order execution policy,
- are obliged to obtain the best possible results in connection with the execution of the order, taking into account all factors affecting such results (price, cost, time, size of the order). The professional client is free to determine the factors we should take into account when carrying out their orders,
- execute orders promptly upon their receipt, in a chronological order. We may depart from this principle if the clients instructs otherwise, the nature of the order or market conditions suggest otherwise, or if such a sequence would be prejudicial to the interests of the client,
- do not notify the client of any circumstances making it impossible to execute the client's order properly.

### Can a professional client change category and how can they do it?

**to a retail client – YES**

- the request must be made in writing – to do this, please contact your account manager at the bank,
- if we change your category to retail client, the higher level of protection will apply to all types of services, transactions or financial instruments (even if you indicate otherwise in your request).

## III. Retail Client

A retail client is an entity who:

- is not a professional client,
- is provided with **the highest level of protection** stipulated in MiFID.

### What is the scope of protection for the retail client?

A retail client enjoys the highest level of protection stipulated in MiFID, which means that:

- we ask the client to fill out an **adequacy test**. It allows us to verify whether:
  - the client has appropriate knowledge and experience in the field of investment,
  - the instrument or service is adequate for the client,
- on the basis of the test result, we carry out an **appropriateness assessment**:
  - we provide the client with information on whether the financial instruments or services offered are appropriate to the client's knowledge and experience,
  - we can reassess appropriateness based on the client's transaction history (the client does not need to request this). If we change the assessment, we notify the client,
- we provide the client **with information about mBank** and **investment services** to be provided on the basis of the agreement,
- we provide **a general description of the nature of financial instruments** and **the risks** associated with investing in them – so that the client is able to make informed investment decisions,
- we present **the principles for acting in the best interests of the client,**
- we provide information on costs and related fees,
- we provide the client with regular reports on the service provided with frequency and in the scope specified explicitly by the law,
- we publish reports on the quality of transaction execution on our website. (https://www.mbank.pl/pomoc/dokumenty/msp-korporacje/rynki-finansowe/rts-27/).

If we provide a service consisting in execution of a retail client's orders, we additionally:

- provide the client with information on our order execution policy,
- are obliged to obtain the best possible results in connection with the execution of the order, taking into account all factors affecting such results (price, cost, time, size of the order),
- execute orders promptly upon their receipt, in a chronological order. We may depart from this principle if the clients instructs otherwise, the nature of the order or market conditions suggest otherwise, or if such a sequence would be prejudicial to the interests of the client,
- notify the client of any circumstances making it impossible to execute the order properly.

**IMPORTANT!**
We caution that clients who enter into derivative transactions must expect to face the risk of loss in the event of adverse movements in the price of the underlying instrument.

### Can a retail client change category and how can they do it?

**to a professional client – YES**

- the request must be made in writing – to do this, please contact your account manager at the bank,
- if we change your category to professional client, the lower level of protection will apply to all types of services, transactions or financial instruments,
- professional clients should familiarize themselves with the scope of protection of a professional client (page 3, Section II),
- if the client does not sufficiently justify in the application why we should consider the client to be a professional client, we may refuse to change the category.

**IMPORTANT!**
It may happen that we have classified a company that – according to the Act – currently fulfils the criteria to be considered a professional client as a retail client.

This applies to companies that meet at least two of the following conditions:
- total assets – EUR 20 million or more,
- revenue – EUR 40 million or more,
- equity – EUR 2 million or more.

Amounts in EUR are translated at the mid-exchange rate for the EUR quoted by the National Bank of Poland on the date of the company's financial statements.

In this situation, the client may submit a written request for reclassification. If you would like to receive a template request, please contact your account manager at the bank.

## IV. Eligible counterparty

An eligible counterparty is and entity who has adequate investment experience, knowledge and expertise to:
- make proper investment decisions or decisions concerning other services connected with trading in financial instruments,
- properly assess the risks they involve.

Where we perform **activities** related to trading in financial instruments for an eligible counterparty other than the provision of services consisting in execution of orders, receipt and transmission of orders or acquisition or sale of financial instruments – **we treat such counterparty as a professional client.** In such cases, we apply a higher level of protection.

### Scope of coverage

An eligible counterparty is provided with **the lowest level of protection** set out in MiFID. This means, among other things, that:
- prior to entering into an agreement, we provide the client with detailed information about mBank and the service to be provided,
- we provide a general description of the nature of financial instruments and the risks associated with investing in them – so that the client is able to make informed investment decisions,
- we provide the client with regular reports on the service provided.

### Can an eligible counterparty change category and how can they do it?

**to a retail client or a professional client – YES**
- the request must be made in writing – to do this, please contact your account manager at the bank,
- if we change your category to retail client, the highest level of protection will apply to all types of services, transactions or financial instruments (even if the client indicates otherwise in the request).

## V. Additional Information

**1. Contact details of mBank:**
mBank Spółka Akcyjna
ul. Prosta 18, 00-850 Warszawa
tel.: (22) 829-00-00, fax: (22) 829-00-33
website: **www.mbank.pl**

**2. Name of the parent company**
Our strategic parent company, with many years of capital exposure to mBank, is:
Commerzbank AG with its registered office in Frankfurt am Mein (address D - 60311 Frankfurt am Main, Kaiserplatz, Germany).

**3. Languages and ways of communicating with clients**
We use the Polish language when dealing with our clients, unless otherwise agreed with the respective client.
We communicate with our clients:
- by post,
- by phone,
- electronically.

Details of the means of communication are set out in the service agreement entered into with the respective client. Information and documents relating to the agreement and the form in which they are to be provided are generally described in the terms and conditions of individual services.

**4. Authorisations for conducting activities (including brokerage activities)**
We represent that mBank:
- was established on the basis of Resolution No 99 of the Council of Ministers of 20 June 1986 on the establishment of Bank Rozwoju Eksportu,
- holds permissions: of the Securities and Exchange Commission (present name: the Polish Financial Supervision Authority) of 30 June 2005, of the Polish Financial Supervision Authority of 20 March 2012 and of the Polish Financial Supervision Authority of 17 November 2015 to conduct brokerage activities,
- holds a permission of the Securities and Exchange Commission (present name: the Polish Financial Supervision Authority) of 23 November 1995 to provide custody services, to operate securities accounts, to register ownership of securities and changes to the ownership,
- is supervised by the Polish Financial Supervision Authority (address: ul. Piękna 20, 00-549 Warsaw).

**5. Reports on provision of services concerning performance of activities related to trading in financial instruments**
The rules, procedure and dates of delivering such reports are specified by:
- service agreements concluded with the client,
- regulations concerning those services.

## 6. Basic rules of protection of client's assets

Our clients' assets are protected under the regulations on:

- the Bank Guarantee Fund,
- the mandatory compensation scheme established by Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository of Securities).

## 7. Protection under the regulations on the Bank Guarantee Fund (BGF)

### Legal basis

Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution (hereinafter: the "BFG Act").

### Whose claims are protected?

Protection is provided for claims of the following depositors:

- natural persons;
- legal persons;
- organisational units which are not legal persons, provided that they have legal capacity;
- school savings funds;
- occupational assistance and loan funds,
- parents' councils.

### Which funds are protected by the guarantee at mBank?

1/ depositor's funds in bank accounts, opened under a bank account agreement to which the depositor is a party (irrespective of any legal flaws or invalidity of such an agreement, and in the cases stipulated in Article 26(2) and (3) of the BFG Act),
2/ other amounts due to the depositor on account of the banking activities referred to in Article 5 (1) (1), Article 5 (1) (2) and Article 5 (1) (6) of the Banking Law Act,
3/ amounts referred to in Article 55 (1) (1) and Article 56 (1) of the Banking Law Act, subject to Article 52 of the BFG Act, provided that they became due and payable before the day of fulfilment of the guarantee condition,
4/ amounts due to the depositor on account of bank securities confirmed by registered documents produced by the issuer or registered deposit certificates referred to in Article 9(1) of the Act, provided that they were issued before 2 July 2014.

### Joint accounts

Where we maintain one account for more persons (a joint account), each of those persons is a depositor:

- within the limits set in the account agreement,
- and in the absence of provisions in the agreement or regulations in this respect – in equal parts.

### Custodial accounts

Where we maintain a trust account, each depositor under the trust account agreement is considered a depositor within the limits arising from his/her share in the amount accumulated in the account. Trustee is considered a depositor with regard to the remaining amount.

### Accounts of investment firms

Where we maintain an account of an investment firm or a recognised third-country investment firm in which, under Article 73(5a) of the Act on Trading in Financial Instruments, there are funds which have been entrusted by the firm's clients in connection with the firm's provision of brokerage services, then every client is considered a depositor within the limits arising from his share in the amount deposited in the account.

Amounts due to clients which are not repaid constitute the clients' claims towards the investment firm.

An investment firm is an entity referred to in Article 4(1)(2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

A recognised third-country investment firm is an entity referred to in Article 4(1)(25) of that Regulation).

### Whose deposits are not protected?

Funds and receivables of the following institutions are not protected by the Bank Guarantee Fund:

1/ State Treasury;
2/ National Bank of Poland;
3/ domestic banks, foreign banks and credit institutions referred to in the Banking Law Act;
4/ co-operative savings and credit unions and the National Co-operative Savings and Credit Union;
5/ Bank Guarantee Fund;
6/ financial institutions;
7/ investment firms as defined in Section „Accounts of investment firms" (page 8),
8/ persons and entities that we have not identified (unless the claims are included in a list of claims drawn up in bankruptcy proceedings or have been established by a final and binding court ruling),
9/ domestic and foreign insurance undertakings as well as domestic and foreign reinsurance undertakings referred to in the Act of 11 September 2015 on insurance and reinsurance activity;
10/ investment funds, investment fund companies, foreign funds, management companies and branches of investment companies referred to in the Act of 27 May 2004 on investment funds and management of alternative investment funds;
11/ Open-end pension funds, employee pension funds, general pension societies and employee pension societies, referred to in the Act on Organisation and Operation of Pension Funds of 28 August 1997,
12/ local government units;
13/ public authorities of a Member State other than the Republic of Poland and of a third country, in particular, central and regional governments as well as local government units of these countries.

### Scope of guarantees from the Bank Guarantee Fund

Subject to the exceptions set out in the BGF Act, funds are included in the guarantee scheme at the bank:

- from the day they are transferred to the bank account, however, no later than on the day preceding the date of fulfilment of the guarantee condition (in the case of claims resulting from banking activities, provided that the activity was performed prior to the date of fulfilment of the guarantee condition),
- up to the equivalent of EUR 100,000 in PLN – in full.

In the case of banks, the guarantee condition is fulfilled when:

- the Polish Financial Supervision Authority (KNF) decides to suspend the bank's activity under Article 158 (1) and/or (2) of the Banking Law Act and imposes forced administration, if this has not been done earlier, and files a petition for bankruptcy regarding the bank with a competent court, or
- the Bank Guarantee Fund decides to suspend the bank's activity and files a petition for bankruptcy regarding the bank with a competent court under Article 230 (2) (1) of the BFG Act, when the prerequisites referred to in Article 158(1) or (2) of the Banking Law Act are met with respect to a bank in resolution.

The mid-exchange rate quoted by the National Bank of Poland on the day when the guarantee condition is met is adopted when converting an EUR amount into PLN. The PLN equivalent of EUR 100,000 determines the maximum amount of the depositor's claims against the BFG. It is irrelevant how much money and in how many accounts the depositor had at a single bank or how many claims are due to the depositor from the bank.

The depositor may assert claims in excess of PLN equivalent of EUR 100,000 against the bank.
Claims under guarantees expire after 5 years of the day on which the guarantee condition is met.
For detailed information on the BFG, see our website: https://www.mbank.pl/pomoc/akty-prawne/bankowy-fundusz-gwarancyjny/

**8. Protection resulting from the regulation on the mandatory compensation scheme established by Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository of Securities)**

1) As a custodian bank and a bank conducting brokerage activity, we are a member of the mandatory compensation scheme established by Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository of Securities).
2) The purpose of the compensation scheme is:
   - **with respect to clients of custodian banks** – to compensate the clients, up to the amount specified in the Act, for the value of lost financial instruments (being the subject matter of trading on the organised market and registered in the securities accounts), held by the clients in custodian banks (including (taking into account) exclusions and limitations specified in the law),
   - **with respect to clients of banks conducting brokerage activities** – in addition to compensating the clients for the value of lost financial instruments, accumulated by the clients in banks conducting brokerage activities on account of services provided to the clients, referred to in Article 69(2) and Article 69(4)(1) of the Act, up to the amount set out in the Act – also to guarantee payment of funds to the clients up to the amount set out in the Act.
3) The compensation scheme applies where:
   - the custodian/brokerage bank goes bankrupt or opens restructuring proceedings, or
   - the application for a declaration of bankruptcy is validly dismissed on the grounds that the assets of that custodian bank/brokerage bank are insufficient or only sufficient to cover the costs of the proceedings, or
   - the Polish Financial Supervision Authority finds that the custodian bank/brokerage bank is not able to, due to the reasons closely linked to financial standing, perform its obligations resulting from investors' claims and their performance is not possible in the near future.
4) The compensation scheme secures the payment of clients' funds referred to in item 2, less any receivables of the custodian bank or brokerage bank, as the case may be, from the client for services rendered:
   - as at the date of occurrence of one of the events forming the basis for payment of compensation, that is one of the events listed in item 3,
   - in full up to the equivalent of EUR 3,000 in PLN and 90% of any excess over EUR 3,000, whereby the maximum amount covered by the compensation scheme is the equivalent of EUR 22,000 in PLN.
5) The mid-exchange rate quoted by the National Bank of Poland on the day of occurrence of the circumstances forming the basis for payment of compensation is adopted when converting an EUR amount referred to in item 4 into PLN.
6) These amounts determine the maximum amount of the client's claim. The amount of financial instruments held by the client or the number of securities accounts in which they were held, as well as the number of claims owed to the client by the custodian/ brokerage bank, are not relevant.
7) The compensation claims are prescribed upon 5 years from the day of occurrence of the circumstances forming the basis to pay compensation.

### Rules of providing services (concerning performance of the activities related to trading in financial instruments)

Detailed rules of providing services are specified in:

- service agreements concluded with the client, or
- regulations concerning those services.

### Rules of handling by complaints concerning performance of activities related to trading in financial instruments

1) The client has the right to file a complaint about the services we provide:
   - at any of our organisational units that provides customer service (in writing or verbally),
   - when contacting our employee,
   - by phone,
   - electronically – in particular via the electronic banking system mBank CompanyNet.
2) Each complaint shall contain:
   - a detailed description of the event to which the complaint relates,
   - the client's expectations as to how the complaint should be resolved,
   - bank account number,
   - name and Statistical ID No (REGON) of the client,
   - data of the person filing the complaint (forename, surname, phone number and e-mail address).
3) Detailed rules and deadlines for handling client complaints are set out in:
   - service agreements concluded with the client, or
   - regulations concerning those services.
4) For more information on complaints, please visit our website: https://www.mbank.pl/pomoc/reklamacje/dla-klienta-korporacyjnego/

**9. Conflicts of Interest**

The operating standards we apply to avoid, properly identify and manage conflicts of interest are described in our Policy of Managing Conflicts of Interest (the "Policy").
The arrangements provided for in the Policy are aimed at:

- ensuring that we resolve conflicts of interest on the basis of equal treatment of clients,
- ensuring that mBank, its employees and other persons related to the bank do not gain benefits or avoid losses at the expense of the clients' interests.

### What is a conflict of interest?

A conflict of interest means circumstances known to mBank and employees that may lead to a conflict between:

- the interests of the bank, an employee, different organisational units of the bank, a client or different clients of the bank, a counterparty or different counterparties of the bank, and
- the bank's or mBank Group companies' duty to act diligently, in the best interests of the client.

These are also circumstances known to us which may lead to a conflict between the interests of several mBank clients.

### When can a conflict of interest arise?

A conflict of interest may arise in particular when the bank or an employee:

- in a situation not provided for in the agreement, may gain a benefit or avoid a loss if the client or group of clients incurs a loss or fails to gain a benefit;
- has a reason (financial or otherwise) to give preference to a client or group of clients or counterparties over another client or group of clients or counterparties;
- has reason to give preference to their own interests or those of a third party (e.g. a counterparty) over those of a client or group of clients or counterparties;
- holds an interest in a specific outcome of a service provided to a client or a transaction carried out on behalf of the client, which is inconsistent with the client's interest;
- conducts the same activity as the client;
- receives a separate material benefit from a person other than a client (e.g. a counterparty), other than standard commissions and fees, in connection with the service provided to the client or – in the case of a counterparty – the bank.

A conflict also exists when an employee may gain benefits or avoid losses at the expense of the bank's interests, including reputational interests.

### Selected types of conflict of interest

A conflict of interest **between a client and the bank** may occur when the bank:

1/ provides the same services in parallel to several clients, in particular those engaged in competitive activities,
2/ provides services to issuers of financial instruments that may also be traded by the client with the bank or to whom the bank has granted or intends to grant financing (e.g. credits or loans),
3/ executes transactions in financial instruments on the bank's own account, which at the same time may be subject to transactions between a client and the bank.
4/ accept commissions, fees and non-monetary benefits from third parties in connection with the provision of brokerage, custody and investment services,
5/ participates in the process of benchmark setting, e.g. WIBID/WIBOR.

A conflict of interest between a **client and a bank employee** may arise if the bank employee uses, in particular, sensitive information.

### Counteracting and resolving conflicts of interest

When we identify a conflict of interest (potential or actual), we take measures to prevent it and manage it accordingly.
As a first priority, to prevent potential or actual conflicts of interest we:

- monitor the processing and disclosure of confidential information, and apply information barriers,
- impose restrictions (in the form of restrictive lists),
- set up confidentiality areas,
- disclose the conflict of interest to the (potential) client or other parties involved and, if necessary, obtain the client's consent to proceed with the transaction,
- refuse to act for one or more parties to the conflict,
- carry out all customer orders in accordance with the principles of best execution,
- impose trading bans on those who are aware of the financial analyses before they are published,
- do not give preference to employees when carrying out their personal transactions over those of our clients.

### Priority of the client's interests over those of the bank or bank employee

If there is a conflict of interest between the bank (or its employee) and the client, the client's interests always take precedence.

The full contents of the policy are made available:

- on our website: https://www.mbank.pl/pomoc/akty-prawne/dyrektywa-mifid/,
- at the client's request – either on paper or by e-mail, if the client agrees to this form of communication.

## 10. Costs and charges related to services

1) All fees and commissions payable by the client to mBank are set out in:
   - service agreements concluded with the client, or
   - regulations concerning those services,
   - "Tariff of Banking Fees and Commissions of mBank for SME and Corporates" (if the agreement or the regulations refer to it),
   - the client is obliged to pay the fees, commissions and other costs indicated in the relevant table of fees and commissions in force at the bank (if applicable).
2) Agreements or regulations may include provisions on costs other than the price of the service that may be charged to the client – including taxes on transactions entered into in connection with the financial instrument or service.
3) The client may incur costs and charges associated with:
   - operations of the National Depository of Securities (registration and processing of securities),
   - the bondholders' meeting,
   - the appointment of the issue agent and services provided by the issue agent,
   - services provided by a mortgage administrator, a registered pledge administrator, a security administrator,
   - introduction of securities to trading and listing on trading platforms (e.g. WSE, Catalyst),
   - engagement of a market maker,
   - engagement of legal or financial advisors.
4) The table of fees of the National Depository of Securities is available at http://www.kdpw.pl/
5) A calculator of the cost of issue of debt securities associated with the introduction of debt securities to trading on Catalyst is available at: http://www.gpwcatalyst.pl/

## 11. Safekeeping and registering securities

We use clearing houses for safekeeping and registering securities – in the domestic and foreign markets.

### Rules for registration with the National Depository of Securities

Within the deposit system organised by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A., "KDPW"), securities of the bank's clients are registered in:

1/ individual securities accounts maintained on behalf of and for particular clients; or

2/ in collective accounts, which may only be maintained for:

- legal persons or other organisational units with a registered office outside Poland, which perform tasks of central registration of securities and are subject to supervision of the relevant body supervising financial institutions in EU member state or EEA or an equivalent state within the meaning of provisions on counteracting money laundering ("equivalent state"),
- foreign investment firms which do not conduct a brokerage activity on the territory of Poland, authorised to conduct business operations in the scope of registering financial instruments in the country in which they are registered,
- foreign investment firms conducting brokerage activities on the territory of Poland without opening a branch, authorised to conduct business operation in the scope of registration of financial instruments in the country in which they are registered,
- foreign legal persons with a registered office in an equivalent state authorised to conduct brokerage activities in the scope of registering financial instruments in the country in which they are registered which do not conduct brokerage activities on the territory of Poland,
- foreign banks with a registered office in an equivalent state authorised to conduct business activity in the scope of registering financial instruments in the country in which they are registered by KDPW participants.

Te balances in securities accounts and in collective accounts reflect the balances of collective deposit accounts maintained with the KDPW for particular KDPW participants. The collective deposit accounts maintained with KDPW do not allow for identification of persons or entities entitled to particular securities registered in such accounts. Such identification is made at the level of securities accounts maintained with KDPW participants.

Securities held in a collective account that we maintain on behalf of its holder (our client) are not recorded in individual securities accounts.

Securities held by our clients are registered in the deposit system separately from the securities held by mBank.

We have at our disposal securities registered in the securities accounts maintained by us:

- on behalf of and for the our client,
- on terms stipulated in the agreement concluded with the client.

### Rules for registration with the SKARBNET4 system

The SKARBNET4 system (a system of accounts and deposit accounts for treasury bills and money bills operated by the National Bank of Poland) is used to register treasury bills and money bills. We are a direct participant in the SKARBNET4 system (hereinafter: the "system").

Our clients' assets registered in the system are recorded in:

- individual bill accounts opened and maintained on behalf of and for particular Clients; or
- collective treasury bill accounts maintained for their holders – mBank clients.

The balances in individual bill accounts and in collective treasury bill accounts reflect the balances of collective deposit accounts maintained in the system for particular system participants. The collective deposit accounts maintained in the system do not allow for identification of persons or entities entitled to particular securities registered in such accounts. Such identification is made at the level of individual bill accounts maintained by the system participants. The holder of the securities registered in individual bill account is always the holder of this account.

The holder of a collective treasury bill account is not entitled to the securities registered in this account. Such an entitled person is the person indicated to us by the account holder (the number of securities results from the indication).

Securities held in a collective treasury bill account that we maintain on behalf of its holders (our clients) are not recorded in individual bill accounts.

Our clients' securities registered in the system are kept separate from securities held by mBank.

We have at our disposal securities kept in the system for our clients:

- within the scope and on terms stipulated in the law and agreement concluded with the client and
- only upon the client's consent. Such a consent is not required, provided that we hold securities for the purpose of establishing collateral as a result of executing an order of the client.

### Obligations of the issue agent

The function of issue agents is performed by NDS participants, i.e. banks and brokerage houses, including mBank (after obtaining internal approvals). As of 1 July 2019, they are required to:

- register corporate and municipal bonds, mortgage bonds and investment certificates with the KDPW,
- act as intermediary in registering them with the KDPW in certain cases,
- verify that the documents relating to the issue of securities are correct and, if so, to register them with the KDPW on behalf of the company.

In certain cases, securities may also be registered without the involvement of an issue agent. The DvP (delivery versus payment) principle is then applied, which refers to the simultaneous clearing of securities in exchange for cash.

### Rules for registration with foreign depository and clearing houses

Foreign securities (not admitted to organised trading in Poland) are registered by foreign depository and clearing houses: Clearstream Banking Luxemburg ("CBL") or Euroclear.

Financial instruments registered for the Clients in CBL are registered in the collective account. In our records, we open registers of securities for particular clients. Pursuant to the provisions on beneficial ownership applicable on the territory of Luxembourg and Belgium, the owner of securities is always the owner entered in the securities register maintained by mBank, i.e. our client.

Assets owned by our clients registered by CBL/Eurolcear are separated from the assets owned by mBank.

We have at our disposal securities registered by CBL/Euroclear
- within the scope and on terms stipulated in the law and in the agreement concluded with the client and
- only upon the client's consent. Such a consent is not required, provided that we hold securities for the purpose of establishing collateral as a result of executing an order of the client.

Where the client fails to provide funds for transaction settlement, we may – Pursuant to the "Rules on provision of custody services by mBank S.A." (an integral part of the custody services agreement) – satisfy our claims using the financial instruments deposited in the accounts and registers of a given client.

If the client does not make the payment within three days following the transaction settlement date:
- we are entitled to sell the securities in question at the price ensuring the highest probability of the order execution,
- the amount obtained from the sale of securities is due to the bank. However, the surplus, if any, between the amount gained from the sale and the amount of unpaid purchase transaction and transaction costs is due to the client.

The agreement with the client may provide for a different course of action in the event that the client fails to provide funds for the settlement of the transaction.

We check holdings of securities on a daily basis according to entries in:
- securities accounts held,
- collective accounts,
- deposit accounts and
- securities registers.

We compare them with the balance of securities registered in accounts held by the KDPW, NBP and by CBL/Euroclear respectively.

We may entrust the safekeeping of foreign securities to a third party (provided that the third party ensures that the clients' rights in the securities entrusted to it are protected). If we do so, we are liable to the client on a general basis and the consequences of the insolvency of the entity to whom we have entrusted safekeeping will in each case be governed by the laws applicable to that entity.

**12. Powers of the BGF**

If, pursuant to the BFG Act, mBank becomes an entity in resolution and there is a real chance of restoring the financial stability of the entity in resolution, the BFG will be able – without the consent of clients who are creditors of mBank – to use the resolution instruments to recapitalise the entity. Bail-in is such an instrument.

If the BFG applies the resolution instruments, the entity in resolution remains under the control of the BFG for some time, and the BFG supervises the reorganisation of the entity so that the causes of losses are permanently removed.

Creditors, whose debt claims are subject to conversions, shall acquire their equity interests in the number resulting from the value of the converted debt claims and the issue price fixed in the resolution on the increase in share capital.

Bail-in does not apply in particular to liabilities:
1/ related to guaranteed funds;
2/ secured (up to the amount of the established collaterals);
3/ arising from the property rights of the entity in resolution;
4/ arising from holding by the entity in resolution funds owned by clients, including those deposited on their behalf by investment funds or alternative investment funds, provided that such property rights or funds are protected in accordance with the Bankruptcy Law of 28 February 2003;
5/ arising from the trusteeship relationship between the entity in resolution and another entity, provided that such a liability is protected under the Bankruptcy Law of 28 February 2003 or the Civil Code of 23 April 1964;
6/ towards domestic banks, foreign banks, other credit institutions and investment firms, with an original maturity of up to 7 days, except for liabilities between entities belonging to the same group;
7/ arising from participation in payment systems, clearing systems or from liabilities towards operators of such systems or their participants, which have occurred as a result of participation in such systems and will become due within 7 days.

**13. Personal data processing (GDPR)**

In connection with the provision of services, in particular the offering service, mBank and issuers provide one another with personal data of which they are separate controllers.

On what basis do we process personal data?

As a personal data controller, we protect your personal data and are responsible for processing it in accordance with the law:
- Regulation (EU) 2016/679 of the European Parliament and of the Council (GDPR),
- Personal Data Protection Act of 10 May 2018.

We process personal data for the purpose of:
- performing the obligations arising from the service agreement and controlling the due performance and settlement of the service agreement – pursuant to Article 6(1)(b) of the GDPR, and if we act as an issue agent – also pursuant to Article 7a(8c) of the Act,
- handling of possible claims arising from the agreement – pursuant to Article 6(1)(f) of the GDPR,
- performing the obligations set out in the Act on Counteracting Money Laundering and Terrorist Financing of 1 March 2018 and 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 Directives 2003/124/EC, 2003/125/EC and 2004/72/EC – pursuant to Article 6(1)(c) of the GDPR.

### How long do we process personal data?

- throughout the term of the service agreement or performance of the function of issue agent, and when that agreement terminates, in accordance with applicable laws (in connection with the obligation to archive records),
- for such time as is necessary for us to pursue claims in connection with our business activities or to defend ourselves against claims made against the bank. We take account of the periods of limitation on claims set out in the applicable laws.

### Rights of data subjects

The data subjects:

- have the right to access and rectify their data;
- may request deletion, restriction or processing or may object to the processing of their data;
- may request that their data be transferred to another controller.

However, we are in any case authorised to further process the data to the extent required by law.

Any complaints about how we process personal data can be filed with the President of the Personal Data Protection Office.

### To whom can we make personal data available?

We have the right to make the processed personal data available to the entities indicated in Article 105 of the Banking Law of 29 August 1997.

### Detailed information and explanations

The Data Protection Officer is an mBank's employee. The Data Protection Officer can be reached:

- by e-mail: inspektordanychosobowych@mBank.pl,
- by mail: Inspektor Danych Osobowych, mBank S.A., ul. Prosta 18, 00-850 Warszawa.

For details of how we process personal data, please see the GDPR Package. It is available on our website: https://www.Bank.pl/pdf/rodo/pakiet-rodo.pdf.

## 14. Cross selling

It occurs when more than one product or service is sold at the same time (as part of a package) and at least one or one of them includes financial instruments. Such sales may be made under a single agreement or under separate agreements, for example where the conclusion of one agreement is a condition for the conclusion of another.

### Types of cross-selling

| Type of cross-selling | Can products or services be provided under separate agreements? | Can the client buy each product or service in the package separately? |
|---|---|---|
| bundled sales | yes | yes |
| tied sales | yes | no |

### Examples of cross-selling

| Example of cross-selling | Detailed description |
|---|---|
| simultaneous sale of a credit product and a risk hedging product (bundled/tied sales) | We sell, under two separate agreements:<br>▪ a credit product, and<br>▪ a product hedging interest rate risk or currency risk.<br>In this case, we enter into a credit agreement whereby the client undertakes to enter into an agreement for trading in financial instruments (e.g. a framework agreement for financial market transactions or other similar agreement) and appropriate products to hedge the risk associated with the credit product. These may include IRS, Cap/Floor CIRS option, forward or FX option.<br><br>Unless we agree otherwise with the client, products included in a package are available separately and such sales are treated as bundled sales. If products included in the package are not available separately, we treat such sales as tied sales |
| simultaneous sale of a credit product and a debt securities offering service (bundled/tied sales) | We sell, under separate agreements:<br>▪ a credit product, and<br>▪ a debt securities offering service.<br><br>In this case, we enter into a credit agreement whereby the client undertakes, for example, to enter into an agreement that includes a debt securities offering service. Products or services included in a package are available separately and we treat such sales as bundled sales. If products included in the package are not available separately, we treat such sales as tied sales. |
| simultaneous sale of debt securities offering service and services provided under underwriting agreements or similar agreements (tied sales) | We sell, under a single agreement or two separate agreements:<br>▪ a debt securities offering service, and<br>▪ an underwriting service<br><br>We treat such sales as tied sales because, in principle, the underwriting service always involves an offering service. |

Information on terms and conditions of agreements concluded as part of cross-selling.

| Product package | On what basis do we sell it? | Do the costs incurred by the client (margins, commissions, fees) depend on whether the client chooses the package or a single product? |
|---|---|---|
| a credit product with a risk hedging product | ▪ always under separate agreements | **No** (entering into a hedging transaction does not affect the margin and commission associated with the credit product, entering into a credit product agreement does not affect the cost of entering into hedging transactions) |
| offering and underwriting | ▪ under a single agreement or separate agreements | **No** (the provision of services under a single agreement or separate agreements does not affect the costs and fees charged to the client) |
| Summary information on the initial terms and conditions of agreements concluded as part of cross-selling is presented in the documents we provide to the client prior to entering into the agreements. These may include, for example, term sheets. | | |

Examples of cross-selling benefits

| Hedging product, offered on a cross-selling basis | What benefits does it provide to the client? |
|---|---|
| interest rate risk hedging products (e.g. IRS together with a credit agreement) | With IRS, the client will replace variable payments with fixed payments. The client is informed of the amount of future interest payments. |
| currency risk hedging products (e.g. FX forward together with a construction loan) | As a rule, the client receives a guarantee of a fixed exchange rate at which we will convert the amount of the loan (or its tranches) disbursed.<br>Example: the client takes out and repays a loan in a currency other than the currency in which the client uses the loan proceeds (e.g. pays remuneration to a general contractor). Using a hedging product, the client will be aware in advance of the currency exchange rate at which the loan amounts disbursed to cover the cost of the project are to be converted. |
| partial underwriting (together with an offering service) | The client has the certainty of raising a certain amount of capital, largely independent of market demand. |
| **Important:**<br>If a client buys a hedging product without an underlying asset (does not enter into a credit agreement), then the client is directly exposed to interest rate risks or currency risk. This may result in taking a so-called speculative position. | |

Restrictions on cross-selling

**Appropriateness assessment**

If cross-selling concerns:

- professional clients according to the MiFID classification (see page 3 for more details) – we do not carry out appropriateness assessments,
- retail clients according to the MIFiD classification (see page 4 for more details) – we carry out standard appropriateness assessments (as we do when we sell other products).

As a general rule, we do not enter into cross-selling agreements with clients who have not passed an appropriateness assessment or who belong to a negative target group for a particular product.

**Partial underwriting**

Normally, we only provide a partial underwriting service alongside the offering service.

Risks associated with cross-selling

| Type of risk | When can it occur? | What consequences can it have? |
|---|---|---|
| **mismatch** risk | The nominal value of the interest rate risk hedging product purchased by the client **is half the amount** of the loan we have disbursed to the client. | Only half of the loan value is hedged against interest rate risk (the other half is exposed to this risk). |
| | The nominal value of the interest rate risk hedging product purchased by the client **is higher** than the amount of the loan being hedged. | The client should request that we partially close the hedging product purchased (to match these amounts).<br>We may then demand that the client pay us the so-called **close-out amount**:<br>▪ its amount depends on the current market valuation of the interest rate risk hedging product purchased by the client,<br>▪ this amount may include a mark-up, (as is the case with early repayment of a loan or the loan currency conversion) |

| Type of risk | When can it occur? | What consequences can it have? |
|---|---|---|
| the risk of **early close-out** of hedging products due to termination of the loan agreement | We terminate a credit product secured with interest rate risk hedging products. | We will close out the risk hedging products and calculate the so-called **close-out amount** that we can claim from the client:<br>▪ Its amount depends on the current market valuation of the interest rate risk hedging product purchased by the client,<br>▪ this amount may include a mark-up. |

**Where to find more information on the risks associated with cross-selling or individual services or products included in a package?**

- for products subject to cross-selling – in the agreements for those products,
- for offering and underwriting services – in the information booklet for issuers of securities (provided to issuers prior to the provision of these services),
- for products involving trading in financial instruments – on our website:

https://www.mbank.pl/pomoc/dokumenty/msp-korporacje/rynki-finansowe/nowa-dokumentacja/

### Costs and fees

Cross-selling of a credit product and a product related to the trading in financial instruments takes place under separate product agreements that differ in terms of the type of costs incurred.

The fees and commissions set out in the credit agreement do not depend on whether the client enters into an agreement for trading in financial instruments with us and purchases the relevant hedging products.

As a rule, the costs and fees associated with a credit product are presented to the client before signing the agreement:

- in the term sheet and, subsequently, in the credit agreement,
- in the Tariff of Banking Fees and Commissions of mBank for SME and Corporates (if the agreement refers to it). The Tariff is available at: https://www.mbank.pl/pomoc/oplaty/interaktywna/msp/

The maximum cost of purchasing interest rate risk or currency risk hedging products (the difference between the price of the quoted hedging product and the price at which we hold the market position) is presented as a **mark-up** on the website: http://www.mbank.pl/mark-up

If an agreement relating to the trading in financial instruments entered into on a cross-selling basis is terminated and the client has ceased to use a different product provided by us for this reason, no additional costs or fees will be charged in this respect. An exception is where such a fee is expressly indicated in the term sheet.

Detailed information on costs and fees is presented:

- in the term sheet,
- for cross-selling related to offering and underwriting services – in the "cross-selling information" (to be provided to the issuer before the provision of these services),
- in the "Tariff of Banking Fees and Commissions of mBank for SME and Corporates" (if the agreement or regulations refer to it).