

*This prospectus constitutes a base prospectus (the **Base Prospectus** or the **Prospectus**) in respect of non-equity securities within the meaning of Article 22 Para.(6) No. 4 of the Commission Regulation (EC) No 809/2004 of 29 April 2004, as amended (the **Prospectus Regulation**).*

BASE PROSPECTUS



mBank S.A.

€3,000,000,000

Euro Medium Term Note Programme

(incorporated as a joint stock company in the Republic of Poland)

Under this €3,000,000,000 Euro Medium Term Note Programme (the **Programme**), mBank S.A. (the **Issuer** or the **Bank**), and together with its consolidated subsidiaries, the **Group**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The Programme was originally established by mFinance France S.A. which has ceased to be an issuer under the Programme.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an on-going basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (the **Prospectus Act 2005**), to approve this document as a base prospectus (*Loi relative aux prospectus pour valeurs mobilières*, which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003) (as amended, which includes the amendments made by Directive 2010/73/EU). The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus and the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. This Base Prospectus will be published in electronic form, together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu). Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to the Official List of the Luxembourg Stock Exchange and have been admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU).

The requirement to publish a prospectus under the Prospectus Directive (as defined below) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive. References in this Base Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Directive. The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer has requested the CSSF to provide each of the competent authorities of the Federal Republic of Germany (**Germany**), The Netherlands, the Republic of Austria (**Austria**), the United Kingdom and the Republic of Poland (**Poland**) with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Act 2005. The Issuer may request the CSSF to provide the competent authorities in additional Member States of the EEA with similar certificates of approval.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction (see "*Subscription and Sale*").

The aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Official List of the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

Amounts payable on Floating Rate Notes will be calculated by reference to one of EURIBOR, LIBOR, PRIBOR or WIBOR, as specified in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes). As at the date of this Base Prospectus, the administrators of EURIBOR, PRIBOR and WIBOR are not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**); the administrator of LIBOR is included in ESMA's register. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that European Money Markets Institute, Czech Financial Benchmark Facility s.r.o. and GPW Benchmark S.A. are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arranger

Commerzbank

Dealers

**Barclays
Credit Suisse
Erste Group
J.P. Morgan**

**Commerzbank
DZ BANK AG
HSBC
UBS Investment Bank**

UniCredit Bank

The date of this Base Prospectus is 17 May 2018.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, Prospectus Directive means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in a relevant Member State of the EEA.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer confirms that any information which has been extracted from an external source has been accurately reproduced and that, so far as it is aware, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to its date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes issued under the Programme of any information coming to their attention.

IMPORTANT – EEA RETAIL INVESTORS - Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors – Legend" as "Not Applicable", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail

investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

None of the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Investors should consult the Issuer should they require a copy of the 2006 ISDA Definitions.

The rating of certain Series of Unsubordinated Notes to be issued under the Programme may be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). Whether or not each credit rating applied for in relation to the relevant Series of Unsubordinated Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) will be disclosed in the Final Terms. At the date of this Base Prospectus, the Subordinated Notes are not intended to be rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer and the Dealers represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including the United Kingdom and Italy, see "*Subscription and Sale*").

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms or Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Group has been derived from the audited consolidated financial statements of the Group for the financial years ended 2017 and 2016.

The Group's financial year ends on 31 December and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union.

The financial information relating to the Group's CHF funding profile, as set out in the section headed "*Description of the Group – Strategy of the Group – Active Balance Sheet Management*" has been extracted from the Group's management accounts as at 31 December 2017 and is unaudited.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus.

In this Base Prospectus, all references to:

- **USD, U.S. dollars** and **U.S.\$** refer to United States dollars;
- **Swiss Franc** and **CHF** refer to the lawful currency of Switzerland;
- **PLN, zloty** or **zlotys** refer to the lawful currency of Poland;
- **Sterling** and **£** refer to pounds sterling; and
- **euro, EUR** and **€** refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. On 15 May 2018, the National Bank of Poland (the **NBP**) exchange rate between the euro and zloty was EUR1 – PLN4.2823, the exchange rate between United States dollars and zloty was USD1 – PLN3.5931 and the exchange rate between the Swiss Franc and zloty was CHF1 – PLN3.5912.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

TABLE OF CONTENTS

Page

Summary of the Programme.....	10
Risk Factors.....	30
Important Information relating to Non-exempt Offers of Notes.....	61
Overview of the Programme.....	68
Documents incorporated by Reference.....	72
Form of the Notes.....	76
Applicable Final Terms	78
Applicable Pricing Supplement.....	104
Terms and Conditions of the Notes.....	114
Use of Proceeds.....	139
Selected Financial Information of the Issuer and Overview of the Group's Financial Condition.....	140
Description of the Group	151
Risk Management.....	183
Market and Legal Environment.....	189
General Information on the Bank	197
Management and Supervisory Corporate Authorities.....	205
Taxation.....	227
Subscription and Sale.....	244
General Information.....	248

SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as **Elements**. These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the Notes and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary explaining why it is not applicable.

Section A – Introduction and warnings

Element	
A.1	<ul style="list-style-type: none"> • This summary should be read as an introduction to the Base Prospectus; • any decision to invest in any Notes should be based on consideration of this Base Prospectus as a whole by the investor; • where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated; and • civil liability attaches only to those persons who have tabled this summary, including any translation hereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus or, it does not provide, when read together with the other parts of this Base Prospectus, key information (as defined in Article 2.1(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the Notes.
A.2	<p>[Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a Non-exempt Offer.]¹</p> <p>[Not Applicable; the Notes are not being offered to the public as part of a Non-exempt Offer.]</p> <p>[<i>Consent</i>: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Non-exempt Offer of Notes by [<i>insert names of Managers</i>] (together, the Managers)[, [<i>names of specific financial intermediaries listed in final terms</i>,] [and] [each financial intermediary whose name is published on the Issuer's website (https://www.mbank.pl/en/home-page) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2014/65/EU) and publishes on its website the following statement (with the information in square brackets being duly completed):</p>

¹ Delete this paragraph when preparing an issue specific summary.

Element	
	<p>"We, [insert legal name of financial intermediary], refer to the offer of the [insert title of relevant Notes] (the Notes) described in the Final Terms dated [insert date] (the Final Terms) published by [] (the Issuer). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and we are using the Base Prospectus accordingly."</p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Non-exempt Offers of Notes during [offer period for the issue to be specified here] (the Offer Period).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent (in addition to the conditions referred to above) are that such consent: (a) is only valid during the Offer Period; and (b) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in [specify: Germany, The Netherlands, Austria, Luxembourg, the United Kingdom and/or Poland and each other relevant Member State in which the particular Tranche of Notes can be offered].</p> <p>AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.]</p>

Section B – Issuer

Element	Title	
B.1	Legal and commercial name of the Issuer	mBank S.A. (the Issuer or the Bank)
B.2	Domicile/ legal form/ legislation/ country of incorporation	The Issuer is incorporated as a joint stock company in the Republic of Poland and operates under Polish law. The Issuer has its seat in Warsaw and is domiciled in Warsaw, Poland. The Issuer was formerly known as BRE Bank S.A.
B.4b	Trend information	Not Applicable - There are no known trends affecting the Issuer and the industries in which it operates.
B.5	Description of the Group	<p>The Issuer, together with its consolidated subsidiaries (the Group) is one of the largest financial services groups in Poland providing retail, corporate and investment banking as well as other financial services. Moreover, the Group has leading positions in brokerage, commercial real estate financing, factoring, leasing and distribution of insurance products.</p> <p>The diagram below shows the structure of the Group as at the date of this Base Prospectus:</p>

Element	Title		
	Net interest income	3,135,660	2,832,843
	Net fee and commission income	992,158	906,445
	Trading and other income*	325,743	556,066
	Total income**	4,453,561	4,295,354
	Overhead costs and Amortisation	(2,043,168)	(1,963,284)
	Net impairment losses on loans and advances	(507,721)	(365,394)
	Operating profit	1,902,672	1,966,676
	Taxes on the Group balance sheet items	(375,256)	(328,939)
	Profit before income tax	1,572,902	1,637,737
	Net profit	1,095,070	1,222,224
	Net profit attributable to:		
	Owners of mBank S.A.	1,091,530	1,219,282
	Non-controlling interests	3,540	2,942
	<i>Source: Consolidated Financial Statements</i>		
	* incl. Dividend income, Net trading income, Gains less losses from investment securities, investments in subsidiaries and associates, the share in the profits (losses) of joint ventures and Other operating income less Other operating expenses.		
	** Defined as a sum of Net interest income, Net fee and commission income and Trading and other income		
	Consolidated Statements of Financial Position		
	The table below sets out summary information extracted from the Group's audited consolidated statements of financial position as at 31 December 2017 and 31 December 2016:		
		Year ended 31 December	
		2017	2016
		<i>(PLN thousands)</i>	
	ASSETS		
	Cash and balances with the Central Bank	7,384,869	9,164,281
	Loans and advances to banks	1,707,722	3,082,855
	Trading securities	1,525,382	3,800,634
	Derivative financial instruments	1,236,303	1,808,847
	Loans and advances to customers	84,475,844	81,763,277
	Investment securities	32,144,699	31,393,352
	Other assets*	2,949,200	2,730,256
	Total assets	131,424,019	133,743,502
	LIABILITIES & EQUITY		
	Amounts due to other banks	5,073,351	8,486,753
	Derivative financial instruments	1,095,365	1,599,266
	Amounts due to customers	91,496,027	91,417,962
	Debt securities in issue	14,322,852	12,660,389
	Subordinated liabilities	2,158,143	3,943,349
	Other liabilities**	2,986,725	2,584,622
	Total liabilities	117,132,463	120,692,341
	Total equity	14,291,556	13,051,161
	Total liabilities and equity	131,424,019	133,743,502
	<i>Source: Consolidated Financial Statements</i>		

Element	Title		
	<p>* includes Hedge accounting adjustments related to fair value of hedged items, Investments in joint ventures, Intangible assets, Tangible assets, Current income tax assets, Deferred income tax assets Other assets and Non-current assets held for sale</p> <p>**includes: Hedge accounting adjustments related to fair value of hedged items, Other liabilities, Current income tax liabilities, Deferred income tax liabilities, Provisions and Liabilities held for sale</p> <p>On 10 May 2018, the Group published the mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the three-month period ended 31 March 2018, which are incorporated by reference in this Base Prospectus. They were prepared in accordance with International Financial Reporting Standard 9 (IFRS 9) "Financial instruments" which replaces the International Accounting Standard 39 "Financial instruments: recognition and measurement". IFRS 9 introduces a new impairment model based on the concept of "expected credit losses", changes to the rules of classification and measurement of financial instruments (particularly of financial assets) as well as a new approach towards hedge accounting.</p> <p>The Group has utilised the provisions of IFRS 9 that permit exemption from the obligation to transform comparative data for prior periods in relation to changes resulting from classification, measurement and impairment. The Group also introduced changes to the financial statements to adjust the presentation of financial data to reflect the new categories introduced by IFRS 9.</p> <p>As at 1 January 2018, differences in the carrying amount of financial assets and liabilities resulting from the application of IFRS 9 were recognised as a part of undistributed financial result from previous years and other components of equity in the Group's equity. As a result the Group's total equity as of 1 January 2018 decreased by PLN 293,586 thousand.</p> <p>Consolidated Income Statements</p> <p>The table below sets out summary information extracted from the Group's unaudited consolidated income statements for the three-month period ended 31 March 2018 and for the three-month period ended 31 March 2017.</p>		
		Three month period ended 31 March	
		2018	2017
		<i>(PLN thousands)</i>	
		<i>unaudited</i>	
	Net interest income	816,424	749,007
	Net fee and commission income	268,876	249,554
	Dividend income	167	154
	Net trading income	84,493	76,897
	Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(37,303)	n/a
	Gains less losses from investment securities, investments in subsidiaries and associates	n/a	1,636
	Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	4,304	n/a
	Other operating income less Other operating expenses	206,300	4,530
	Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(84,471)	(82,921)
	Overhead costs and Amortisation	(600,993)	(577,691)
	Operating profit	657,797	421,166

Element	Title			
	Taxes on the Group balance sheet items	(98,463)	(91,305)	
	Share in profits (losses) of entities under the equity method	289	-	
	Profit before income tax	559,623	329,861	
	Net profit	410,991	218,924	
	Net profit attributable to:			
	Owners of mBank S.A.	411,000	218,778	
	Non-controlling interests	(9)	146	
<i>Source: Q1 2018 Consolidated Financial Statements</i>				
<i>* in the three-month period ended 31 March 2018, Other Operating Income includes a one-off amount of PLN 219,717 thousand recognised on the sale of the organised part of the enterprise of mFinanse related to insurance intermediation activities in the field of group insurance contracts as an insurance agent.</i>				
Consolidated Statements of Financial Position				
The table below sets out summary information extracted from the Group's consolidated statements of financial position as at 31 March 2018 and 31 March 2017 as well as at 31 December 2017.				
		31 March 2018	31 December 2017	31 March 2017
		<i>unaudited</i>	<i>(PLN thousands) audited</i>	<i>unaudited</i>
ASSETS				
	Cash and balances with the Central Bank	5,354,319	7,384,869	7,139,929
	Financial assets held for trading and derivatives held for hedges	4,300,858	2,761,685	5,218,891
	Loans and advances to banks	n/a	1,707,722	1,976,859
	Non-trading financial assets mandatorily at fair value through profit or loss, including:			
	Equity instruments	40,854	n/a	n/a
	Loans and advances to customers	2,939,264	n/a	n/a
	Investment securities	n/a	32,144,699	31,689,903
	Financial assets at fair value through other comprehensive income	22,924,757	n/a	n/a
	Loans and advances to customers	n/a	84,475,844	81,697,942
	Financial assets at amortised cost, including:			
	Debt securities	8,689,402	n/a	n/a
	Loans and advances to banks	3,811,337	n/a	n/a
	Loans and advances to customers	82,724,119	n/a	n/a
	Other assets*	2,855,306	2,949,200	2,764,857
	Total assets	133,640,216	131,424,019	130,488,381
LIABILITIES & EQUITY				
	Financial liabilities held for trading and derivative instruments held for hedging	900,830	1,095,365	1,557,117
	Financial liabilities measured at amortised cost, including:			
		115,355,334	113,050,373	113,022,578

Element	Title			
	Amounts due to banks	4,475,332	5,073,351	8,767,287
	Amounts due to customers	94,308,572	91,496,027	88,744,037
	Debt securities issued	14,414,161	14,322,852	13,260,781
	Subordinated liabilities	2,157,269	2,158,143	2,250,473
	Other liabilities**	2,897,717	2,986,725	2,570,402
	Total liabilities	119,153,881	117,132,463	117,150,097
	Total equity	14,486,335	14,291,556	13,338,284
	Total liabilities and equity	133,640,216	131,424,019	130,488,381
	Total Capital Ratio (per cent.)	20.93	20.99	21.59
	Common Equity Tier 1 capital ratio (per cent.)	17.87	18.31	18.76
	<p><i>Source: Consolidated Financial Statements</i></p> <p><i>* includes: Investments in associates, Non-current assets and disposal groups classified as held for sale, Intangible assets, Tangible assets, Current income tax assets, Deferred income tax assets and Other assets.</i></p> <p><i>** includes: Fair value changes of the hedged items in portfolio hedge of interest rate risk, Provisions, Current income tax liabilities, Deferred income tax liabilities and Other liabilities,</i></p> <p>Statements of no significant or material adverse change</p> <p>There has been no significant change in the financial or trading position of the Issuer and the Group since 31 March 2018 and there has been no material adverse change in the prospects of the Issuer and the Group since 31 December 2017.</p>			
B.13	Events impacting the Issuer's solvency	Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.		
B.14	Dependence upon other group entities	The Issuer relies on its subsidiary companies to offer additional services and products to its clients, including: financial intermediation, factoring and leasing.		
B.15	The Issuer's principal activities	The Bank provides retail, corporate and investment banking as well as other financial services in Poland. In addition, its retail banking products and services are offered in the Czech Republic and Slovakia. The Bank offers its retail clients a full range of products and services, including current and savings accounts (including foreign currency accounts), term deposits, lending products (including mortgage loans, consumer loans, car loans, cash loans, overdrafts, credit cards and other products), debit cards, insurance and investment products and brokerage services. The Bank offers its corporate banking customers a broad range of products and services, including current accounts, internet banking based cash management services, term deposits, foreign exchange transactions, short-term financing and investment loans, cross-border credit, project finance and trade finance solutions, structured and mezzanine finance services, and investment banking services and products.		
B.16	Controlling shareholders	Commerzbank is the principal shareholder of the Bank. As of the date of the Base Prospectus, Commerzbank holds shares representing 69.37 per cent. of the Bank's share capital and of the		

Element	Title																						
		total number of votes at the General Meeting.																					
B.17	Credit ratings	<p>The Issuer has been assigned the following ratings as at the date of this Base Prospectus:</p> <table border="0" data-bbox="678 414 1455 884"> <thead> <tr> <th></th> <th style="text-align: center;">Fitch Polska S.A.</th> <th style="text-align: center;">Standard & Poor's Credit Market Services Europe Limited</th> </tr> </thead> <tbody> <tr> <td>Long-term rating of deposits/liabilities</td> <td style="text-align: center;">BBB</td> <td style="text-align: center;">BBB+</td> </tr> <tr> <td>Short-term rating of deposits/liabilities</td> <td style="text-align: center;">F2</td> <td style="text-align: center;">A-2</td> </tr> <tr> <td>Support rating.....</td> <td style="text-align: center;">2</td> <td style="text-align: center;">–</td> </tr> <tr> <td>Viability rating.....</td> <td style="text-align: center;">bbb-</td> <td style="text-align: center;">–</td> </tr> <tr> <td>SACP rating</td> <td style="text-align: center;">-</td> <td style="text-align: center;">bbb-</td> </tr> <tr> <td>Outlook of long-term rating</td> <td style="text-align: center;">stable</td> <td style="text-align: center;">negative</td> </tr> </tbody> </table> <p><i>Source: Fitch Polska S.A., S&P Global Ratings</i></p> <p>Standard & Poor's Credit Market Services Europe Limited (S&P Global Ratings or S&P) has assigned the long-term credit rating BBB+ (negative outlook). Pursuant to S&P's rating definitions, "An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments". A plus (+) or minus (-) sign shows relative standing within the major rating categories. An S&P Global Ratings outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). Negative means that a rating may be lowered.</p> <p>S&P Global Ratings has assigned a short-term credit rating A-2. Pursuant to S&P's rating definitions, the assigned short-term credit rating of the Bank means the "obligor... has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category."</p> <p>Fitch Polska S.A. (Fitch) has assigned the long-term credit rating BBB (stable outlook). Pursuant to Fitch's rating definitions, BBB denotes expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. Stable outlook indicates that the credit rating is likely to be stable over a one- to two-year period.</p> <p>Fitch has assigned a short-term credit rating F2. Pursuant to Fitch's rating definitions, the assigned short-term credit rating of</p>		Fitch Polska S.A.	Standard & Poor's Credit Market Services Europe Limited	Long-term rating of deposits/liabilities	BBB	BBB+	Short-term rating of deposits/liabilities	F2	A-2	Support rating.....	2	–	Viability rating.....	bbb-	–	SACP rating	-	bbb-	Outlook of long-term rating	stable	negative
	Fitch Polska S.A.	Standard & Poor's Credit Market Services Europe Limited																					
Long-term rating of deposits/liabilities	BBB	BBB+																					
Short-term rating of deposits/liabilities	F2	A-2																					
Support rating.....	2	–																					
Viability rating.....	bbb-	–																					
SACP rating	-	bbb-																					
Outlook of long-term rating	stable	negative																					

Element	Title	
		<p>the Bank denotes good short-term credit quality. The intrinsic capacity for timely payment of financial commitments is good.</p> <p>Fitch Polska S.A. and Standard & Poor's Credit Market Services Europe Limited are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation). As such Fitch Polska and Standard & Poor's Credit Market Services are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.</p> <p>In 2013, the Bank elected to cease soliciting ratings from Moody's Investors Service (Moody's). Any ratings published by Moody's ratings entities in connection with the Bank are unsolicited and are based purely on publicly available information. Such ratings are therefore not disclosed in this Base Prospectus.</p> <p>The rating of certain Series of Unsubordinated Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Unsubordinated Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. At the date of this Base Prospectus, the Subordinated Notes are not intended to be rated.</p> <p>[Not Applicable – no ratings have been assigned to the Notes at the request of or with the co-operation of the Issuer in the rating process.]</p> <p>[The Notes [have been/are expected to be] rated [specify rating(s) of Tranche being issued] by [specify rating agenc(ies)].]</p>

Section C – Securities

Element	Title	
C.1	Description of Notes/ISIN	<p>The Notes issued under this Programme may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of the foregoing.²</p> <p>The Notes are [£/€/U.S.\$/other] [] [[] per cent./Floating Rate/Zero Coupon] Notes due [].</p> <p>International Securities Identification Number (ISIN): []</p> <p>Common Code: []</p> <p>[The Notes will be consolidated and form a single series with [<i>identify earlier Tranches</i>] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [<i>date</i>]].]</p>
C.2	Currency	<p>Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.³</p> <p>The currency of this Series of Notes is [].</p>
C.5	Restrictions on transferability	Not Applicable – there are no restrictions on the free transferability of the Notes.
C.8	Rights attached to the Notes, including ranking and limitations on those rights	<p>Notes issued under the Programme will have terms and conditions relating to, among other matters:</p> <p><i>Status and Subordination (Ranking)</i></p> <p>Notes may be issued on either a senior or a subordinated basis.⁴</p> <p>[The Notes are Unsubordinated Notes constituting direct, unconditional, unsubordinated and (subject to the provisions of negative pledge below) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.]</p> <p>[The Notes are Subordinated Notes and [the Coupons]</p>

² Delete this paragraph when preparing an issue specific summary.

³ Delete this paragraph when preparing an issue specific summary.

⁴ Delete this paragraph when preparing an issue specific summary.

Element	Title	
		<p>constitute unsecured subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for certain obligations required to be preferred by law) at least <i>pari passu</i> with all present and future, direct, unconditional unsecured and subordinated obligations of the Issuer outstanding from time to time.]</p> <p><i>Negative pledge</i></p> <p>[The terms of the Unsubordinated Notes contain a negative pledge provision which provides that the Issuer will not create or have outstanding any Encumbrance upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant External Indebtedness unless the Issuer shall, in the case of the creation of an Encumbrance, before or at the same time, in any other case, promptly take any and all action necessary to ensure that:</p> <ul style="list-style-type: none"> (a) all amounts payable by the Issuer under the Unsubordinated Notes are secured by the Encumbrance equally and rateably with the Relevant External Indebtedness; or (b) such other Encumbrance or other arrangement (whether or not it includes the creation of an Encumbrance) is provided as shall be approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast) of holders, <p>provided that the above provisions shall not apply to certain types of Encumbrances.]</p> <p>[The terms of the Subordinated Notes will not contain a negative pledge provision.]</p> <p><i>The Notes may immediately become due and repayable prior to the Maturity Date upon the occurrence of certain events</i></p> <p>[The terms of the Unsubordinated Notes will contain, amongst others, the following events of default which, if any of them should occur and be continuing in relation to any Series of Notes, that Series may immediately become due and payable if the appropriate termination notice is given by a holder of such Note of the relevant Series:</p> <ul style="list-style-type: none"> (a) default in payment of principal or interest due in respect of the Notes, continuing for a specified period of time;

Element	Title	
		<p>(b) non-performance or non-observance by the Issuer of any of its other material obligations under the conditions of the Notes or the Agency Agreement, in certain cases continuing for a specified period of time;</p> <p>(c) (i) the Relevant Indebtedness of the Issuer or certain subsidiaries of the Issuer becomes due and payable prematurely by reason of any event of default; or (ii) the Issuer or certain subsidiaries fail to make a payment in respect of any Relevant Indebtedness (in certain cases continuing for a specified period of time); or (iii) any security given by the Issuer or certain subsidiaries for any Relevant Indebtedness becomes enforceable; or (iv) default is made by the Issuer or certain subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Relevant Indebtedness of any other person, provided that no event shall be an event of default unless the Relevant Indebtedness or other relative liability either alone or when aggregated shall be continuing and amount to at least €10,000,000 or its equivalent in any other currency;</p> <p>(d) events relating to the cessation of business, the insolvency or winding up of the Issuer or certain subsidiaries of the Issuer; and</p> <p>(e) if the banking operations of the Issuer are suspended or the Issuer's banking licence is withdrawn pursuant to applicable Polish banking law.</p> <p>[The terms of the Subordinated Notes will not contain any events of default.]</p> <p><i>Meetings of Noteholders</i></p> <p>The terms of the Notes will contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><i>Taxation</i></p> <p>All payments in respect of Notes will be made without deduction for or on account of withholding taxes imposed by Poland. In the event that any such deduction is made, the</p>

Element	Title	
		<p>Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p>The Issuer is entitled to redeem the Notes prior to their Maturity Date for taxation reasons.</p> <p>All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.</p> <p>Governing law</p> <p>The Notes and the rights attaching to the Notes shall be governed and construed in accordance with English law except the subordination provisions of Condition 2.2 which shall be governed by, and construed in accordance with, Polish law.</p>
C.9	Interest/Redemption	<p>Interest</p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate.⁵</p> <p>[The Notes bear interest [from their date of issue/from []] at the fixed rate of [] per cent. per annum. The yield of the Notes is [] per cent. Interest will be paid [annually] in arrear on [] in each year. The first interest payment will be made on [].]</p> <p>[The Notes bear interest [from their date of issue/from []] at floating rates calculated by reference to [<i>specify reference rate for Notes being issued</i>] [plus/minus] a margin of [] per cent. Interest will be paid [semi-annually] in arrear on [] and [] in each year, subject to adjustment for non-business days. The first interest payment will be made on [].]</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p>Redemption</p>

⁵ Delete this paragraph when preparing an issue specific summary.

Element	Title	
		<p>The terms under which the Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issuance of the relevant Notes.⁶</p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at par on [].</p> <p>The Notes may be redeemed prior to their stated maturity for tax reasons [or [<i>specify any other early redemption option (including Issuer Call or Investor Put applicable to the Notes being issued)</i>]] at [<i>specify the early redemption price applicable to the Notes being issued</i>].</p> <p><i>Representative of holders</i></p> <p>Not Applicable – No representative of the Noteholders has been appointed by the Issuer.</p> <p>Please also refer to Element C.8.</p>
C.10	Derivative component in the interest payments	Not applicable – There is no derivative component in the interest payments made in respect of any Notes issued under the Programme.
C.11	Admission to trading	<p>Notes issued under the Programme may be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange or such other stock exchange or market specified below, or may be issued on an unlisted basis.⁷</p> <p>[Application [has been][is expected to be] made for the Notes to be admitted to trading on the [Regulated Market] of the [Luxembourg Stock Exchange].]</p> <p>[Not applicable – The Notes are not intended to be admitted to trading on any regulated market.]</p>

⁶ Delete this paragraph when preparing an issue specific summary.

⁷ Delete this paragraph when preparing an issue specific summary.

Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuer	<p>In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer’s control. The Issuer has identified a number of factors which could materially adversely affect its and the Group's businesses and ability to make payments due under the Notes. These factors include risks associated with:</p> <ul style="list-style-type: none"> • the granting, financing and securing of loans denominated in foreign currencies and, in particular, in CHF; • regulatory and political risks related to a significant exposure to foreign currency denominated loans, predominantly retail mortgage loans denominated in CHF in the context of proposals to reduce the indebtedness of CHF borrowers and the potential adverse impact on banks; • counterparties – risks arising from the potential inability of the Group's counterparties to fulfil their obligations under transactions and financial instruments entered into with the Bank due to a number of factors, including, bankruptcies, lack of market or individual customer liquidity, economic downturns, adverse financial and market movements, operational failures and increased economic and political uncertainty; • risk management methods. These may prove ineffective at mitigating credit risk; • a failure to successfully introduce new products and services or to implement the Group's strategy and raise brand awareness of the Group; • a failure of IT systems or loss or wrongful processing of personal customer data; • the Group's credit ratings. These may be lowered or

Element	Title	
		<p>withdrawn by the relevant rating agencies and any reduction in the Group's credit rating could increase its cost of funding and adversely affect its interest margins;</p> <ul style="list-style-type: none"> • the general macro economic environment in which the Group operates. Such risks include regulatory changes which may affect the members of the Group including the Bank. The effects of the global financial crisis and its impact on the local economies in which the Group operates may have an adverse effect on the Group's business, financial condition and results of operations; • the adverse impact of the Polish Banking Tax introduced in Poland from 1 February 2016 • an increase of the Issuer's mandatory contributions, including contributions to the Bank Guarantee Fund; • general disruptions experienced in the international capital markets. These may result in a reduction of available financing; and • the Group's relationship with Commerzbank. Commerzbank holds corporate control over the Issuer and Commerzbank is not required to support the Issuer.
D.3	Key risks regarding the Notes	<p>There are also risks associated with the Notes including a range of market risks as follows:</p> <ul style="list-style-type: none"> • [if the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds to achieve a similar effective return;] • [if the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned;] • [Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates;] • [The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks";]

Element	Title	
		<ul style="list-style-type: none"> • [Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR;] • [an investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency and further, under certain conditions, interest payments under Subordinated Notes must be deferred such that investors may experience a significant delay in receiving any interest due under the Notes and, in extreme cases, may lose their entitlement to interest;] • the conditions of the Notes may be modified without the consent of the holder in certain circumstances; • the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by the Issuer in order to comply with applicable law; • investors are exposed to the risk of changes in law or regulation affecting the value of Notes held by them; • [investors who purchase Notes in denominations that are not an integral multiple of the specified denomination may be adversely affected if definitive Notes are subsequently required to be issued;] • there may be no or only a limited secondary market in the Notes and this would adversely affect the value at which an investor could sell his Notes; • the value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency[;/.] • [changes in interest rates will affect the value of Notes which bear interest at a fixed rate;] • [any credit rating assigned to the Notes may not adequately reflect all the risks associated with an investment in the Notes.]

Section E – Offer

Element	Title	
E.2b	Use of proceeds and reasons for the offer	<p>The net proceeds from the issue of Notes will be used by the Issuer for general corporate purposes, which include making a profit, and may also be applied for particular uses, as determined by the Issuer.⁸</p> <p>The net proceeds from the issue of Notes will [be used by the Issuer for general corporate purposes, which include making a profit [and []]].</p>
E.3	Terms and conditions of the offer	<p>Under the Programme, the Notes may be offered to the public in a Non-exempt Offer in Germany, The Netherlands, Austria, Luxembourg, the United Kingdom and Poland.⁹</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. An Investor intending to acquire or acquiring any Notes in a Non-exempt Offer from an Offeror will do so, and offers and sales of such Notes to an Investor by such Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements.¹⁰</p> <p>[The Notes are not being offered to the public as part of a Non-exempt Offer.]</p> <p>[This issue of Notes is being offered in a Non-exempt Offer in [<i>specify: Germany, The Netherlands, Austria, Luxembourg, the United Kingdom and/or Poland and each other relevant Member State in which the particular Tranche of Notes can be offered</i>].]</p> <p>The issue price of the Notes is [] per cent. of their nominal amount.</p> <p>[<i>Summarise any public offer, copying the language from paragraphs [8(viii)] and [9] of Part B of the Final Terms.</i>]</p>
E.4	Interest of natural and legal persons involved in the issue/offer	<p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking</p>

⁸ Delete this paragraph when preparing an issue specific summary.

⁹ Delete this paragraph when preparing an issue specific summary.

¹⁰ Delete this paragraph when preparing an issue specific summary.

Element	Title	
		<p>transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.¹¹</p> <p>The [Dealers/Managers/Financial Intermediaries] will be paid aggregate commissions equal to [] per cent. of the nominal amount of the Notes. Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.</p> <p>[Other than as mentioned above,[and save for [],] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p>
E.7	Estimated expenses charged to the investor by the Issuer or the Offeror	[Not Applicable – No expenses will be charged to investors by the Issuer or the Offeror.]

¹¹ Delete this paragraph when preparing an issue specific summary.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes. In addition, the Issuer has described certain general risks applicable to an investment in Poland and to the Polish banking industry which are associated with an investment in the Notes. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings as given to them in this section.

Prospective investors should note that the risks relating to the Issuer summarised in the section of this document headed "Summary of the Programme" are the risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary of the Programme" but also, among other things, the risks and uncertainties described below.

Risks relating to the business and industry of the Issuer

The Group is exposed to various risks resulting from granting, financing and securing loans denominated in foreign currencies and, in particular, in CHF

The Group has a significant exposure to foreign currency denominated loans (predominantly retail mortgage loans denominated in CHF). The vast majority of retail customers who have mortgage loans denominated in foreign currencies earn their income in PLN. These customers are usually not protected against the fluctuations of the exchange rates of the PLN against the currency of the loan. Consequently, any depreciation of the PLN against a foreign currency in which the loan is denominated, which is not sufficiently compensated by a decrease in the relevant reference rate, will result in an increase of the PLN value of repayments of principal and payments of interest by the Bank's customers (although this may be mitigated where there is a compensating decrease in the relevant reference rate, such as CHF LIBOR rate) and in an increase of credit risk related to borrowers with loans in foreign currencies. A significant and prolonged depreciation of the PLN, which results in an increase of the PLN value of repayments of principal and payments of interest by the Bank's customers, may result in the Bank's customers experiencing difficulties in the repayment of the loans, which in turn may lead to a decrease in the quality of the Group's loan portfolio and an increase in impairment allowances on loans and advances, and may adversely affect the business, financial condition and results of operations of the Group. This consideration applies in particular to CHF-denominated loans, which constituted 17.6 per cent. of the Group's total net loans and advances as of 31 December 2017 (compared to 22.5 per cent. as of 31 December 2016).

Due to the Bank's significant portfolio of loans denominated in foreign currencies, the Group is exposed to foreign exchange risk. The Group partly manages its foreign exchange risk through derivative transactions. The typical maturities of these derivative contracts are shorter than the maturities of the underlying loans that are denominated in foreign currencies. As a result, the Group is required to renew such contracts when they mature, and is exposed to market price fluctuations of these derivatives. Consequently, significant increases in the prices of such derivative contracts may adversely affect the funding costs of the Group's foreign currency denominated loan portfolio which, in turn, could adversely affect the business, financial condition and results of operations of the Group.

A material depreciation of the PLN may also cause the value of the collateral securing the Bank's foreign currency denominated mortgage loans to fall below the outstanding value of such loans, which may in turn increase the loss given default ratio applicable to the Bank's foreign currency portfolio. In addition, depreciation of the PLN against CHF will cause an increase in total risk exposure amount and consequently a decrease in the capital ratios of the Group.

The occurrence of any of the factors mentioned above may have a material adverse effect on the business, financial condition, results of operations of the Group.

The Group is exposed to regulatory and political risks related to its CHF denominated loans

In common with other Polish banks holding portfolios of foreign currency denominated mortgage loans, the Group faces the risk that a decision could be made by the Polish Parliament to change the financial terms of loans granted in foreign currencies and/or convert loans denominated in foreign currencies to PLN, and thereby to transfer to banks all or a significant portion of the economic cost of such loans.

On 15 January 2015, the Swiss National Bank (the **SNB**) decided to discontinue its policy of maintaining a minimum exchange rate of CHF 1.20 per 1.00 euro (the **SNB Announcement**). As a result of the SNB Announcement, the PLN depreciated significantly within a very short timeframe against the CHF. Polish banks have a significant position in CHF denominated loans resulting from the significant origination of such loans between 2006-2008. According to the National Bank of Poland, CHF loans accounted for approximately 27 per cent. of total mortgage loans within Poland as at 31 December 2017. Various proposals have been put forward for consideration by the Polish government, the Polish Financial Supervision Authority (the **KNF**), the Financial Stability Committee (the **KSF**) and politicians each of which seeks to reduce the impact on Polish borrowers of the depreciation of PLN against CHF.

On 2 August 2016, the President of Poland submitted to the lower house of the Polish Parliament (the **Sejm**) a bill on the terms of the refund of certain amounts payable under credit and loan agreements. The bill does not provide for the conversion of credit facilities into other currencies; instead, it introduces a requirement to refund the amounts collected at drawdown and the repayment of credit facilities in excess of the acceptable level of spread. According to the Chancellery of the President of Poland, the costs borne by the Polish banking sector as a consequence of adopting this bill should not exceed PLN 4 billion. According to the National Bank of Poland (the **NBP**), the actual costs may be twice as large, while the KNF calculated the costs at PLN 9.1 billion. The draft was sent to the Public Finance Committee in the Sejm, but from 20 October 2016 it was no longer being processed.

On 2 August 2017, the Chancellery of the President of Poland presented a bill to the Polish Parliament to amend the existing law on support to homeloan borrowers in difficult financial conditions and to amend the law on corporate income tax. The main purpose of the draft law is to: (1) change the mechanism for providing financial support to those borrowers who find themselves in a difficult financial situation and are also required to repay instalments on a home loan that represents a significant burden on their household budgets and (2) introduce a new instrument to facilitate the voluntary restructuring of loans denominated in or indexed to a foreign currency. The draft law would extend the scope of the law on support to borrowers in a difficult financial situation by introducing rules for granting a loan to pay back the remaining part of the home loan and by specifying the conditions of use for the repayment loan if the amount obtained from the sale of the property fails to cover the entire obligation. Furthermore, the draft law would modify the criteria for granting financial aid and defines criteria for granting repayment loans. The draft law would extend the duration of financial aid from 18 to 36 months and would increase the maximum amount of financial aid from PLN 1,500 to PLN 2,000 per month, up to a maximum of PLN 72,000 over three years. The funds are to be repaid in 144 equal, interest-free monthly instalments. If a borrower repays 100 instalments without any delay, the remaining 44 instalments would be cancelled.

Under the draft law financial support would be financed by a supporting fund and a restructuring fund. The supporting fund would be used to make financial aid payments and disburse repayment loans, while the

restructuring fund would be used to support the voluntary restructuring of foreign currency denominated or indexed home loans. The supporting fund would be financed mainly by quarterly contributions from creditors in proportion to the portfolio of home loans whose principal or interest has been outstanding for more than 90 days. The quarterly contributions would not exceed 1 per cent. of the carrying amount of the portfolio of home loans referred to above. The restructuring fund would be financed mainly by quarterly contributions from creditors in proportion to the portfolio of home loans denominated or indexed in a foreign currency and income from the investment of funds from the restructuring fund. Quarterly contributions made by creditors to the restructuring fund may not exceed 0.5 per cent. of the carrying amount of the portfolio of home loans denominated or indexed in a currency other than the currency of the borrower's income. Such funds may only be used by the creditor for voluntary restructuring agreements concluded within six months from the end of the quarter in which the contribution was made. If the creditor failed to fulfil their responsibilities, or if the creditor and the borrower failed to reach an agreement, the funds would be divided among all other creditors contributing to a restructuring fund.

The bill may have a considerable impact on the profitability of the Polish banking sector, particularly when the quarterly contributions to both funds are set at their maximum level. In such a case, according to the European Central Bank (the **ECB**) contributions could reduce the profits of the banking sector by up to 20 per cent. of the current total pre-tax operating profit of the sector. Consequently, it could reduce the Polish banking sector's capacity to provide loans. The impact would be unevenly distributed across the sector, with banks holding large portfolios of foreign currency loans being particularly affected.

The draft bill was submitted to the Polish Parliament on 2 August 2017 and was directed to the Public Finance Committee for further proceedings. On 9 February 2018, the Polish Government informed the Polish Parliament that it favoured towards the proposals contained in the draft law, and indicated at the same time the need for a slight clarification of certain provisions.

As at the date of this Base Prospectus, the draft law remains subject to parliamentary review and revision. Accordingly, there can be no clarity as to the final form of the draft law or that it will receive parliamentary approval. It cannot, however, be excluded that new regulations transfer the entire economic cost of the appreciation of the CHF to banks or will otherwise adversely affect the business, financial condition and results of operations of the Group.

The Group may not be able to maintain the quality of its loan, investment, proprietary investment or trading book portfolios

The quality of the assets in the Group's loan portfolio is affected by changes in the creditworthiness of its customers, their ability to repay their loans on time, the Group's ability to enforce its security interests on customers' collateral should such customers fail to repay their loans and whether the value of such collateral is sufficient to cover the full amounts of those loans.

The quality of the Group's loan and investment portfolio may deteriorate due to various other reasons, including internal factors (such as failure of risk management procedures) and factors beyond the Group's control (such as any negative developments in Poland's economy resulting in the financial distress or bankruptcy of the Group's customers, or restriction of credit information concerning certain customers).

The quality of the Group's loan portfolios can also be influenced by counterparty risk arising from the potential inability of the Group's counterparties, including corporate customers, banks and other financial institutions, to fulfil their obligations under transactions and financial instruments entered into with the Bank due to a number of factors, including, in particular, bankruptcies, lack of market or individual customer liquidity, economic downturns, adverse financial and market movements (e.g. in interest rates or foreign currency exchange rates, commodity prices, the implied volatility of foreign exchange options), operational failures and increased economic and political uncertainty. If the level of the counterparty risk increases, it would adversely impact the creditworthiness and financial standing of the counterparties, and as a result, could trigger additional adverse consequences in the financial contracts of the Group's customers, which

could worsen their financial exposure and make it more difficult for them to fulfil their obligations to the Bank. See "The Group has significant exposure to counterparty credit risk in connection with its banking operations" in this section.

The Group's proprietary investment and trading book portfolio consists of stocks, shares, debt securities and derivatives. The quality of the Group's proprietary investment portfolio is affected by macroeconomic and other factors, including the general business environment, the financial standing of companies in which the Group invests and the stock market. The quality of the trading book depends significantly on developments in financial markets and on the creditworthiness and financial standing of counterparties of the transactions in this portfolio. See "The value of the Group's investment and trading portfolios may decrease" in this section.

The quality of the Group's debt securities portfolio is substantially dependent upon the ability of the issuers of the securities in the portfolios to make payments on the securities when due. The ability of the issuers to make such payments may be affected by changes in their financial standing, including liquidity issues, as well as by the global financial crisis, liquidity concerns, increased credit risk and other macroeconomic factors.

Realisation of these risks described above could have an adverse effect on the Group's business, financial condition and results of operations.

Material increases in the Group's impairment losses on loans and advances may have an adverse effect on the Group's business, financial condition and results of operations

In connection with its credit operations, the Group regularly writes down impaired assets and records impairment losses in the profit and loss account of the Group. The total value of the Group's impairment losses is based on the history of losses experienced by the Group, the volume and type of borrowing activity, standards applied in the banking industry, information on defaults in loan payments, the economic situation and other factors connected with the repayment of various loans. It also depends on the risk model applied by the Group, which may prove to be incorrect and result in an incorrect assessment by the Group of the risk associated with its loan portfolios.

Although the Management Board uses its best efforts to establish an appropriate amount of impairment losses on loans and advances, that determination is subject to the evaluation of credit risk and may be affected by numerous factors, including depreciation of PLN against CHF and uncertainties relating to the current macroeconomic environment. The Group could be required to increase its impairment losses on loans and advances in the future as a result of increases in non performing assets or for other reasons. Any material increase in the impairment losses on loans and advances, any loan losses in excess of the previously determined impairment losses on loans and advances with respect thereto or changes in the estimate of the provision for incurred but not yet identified losses on loans and advances could have an adverse effect on the Group's business, financial condition and results of operations.

The value of the Group's investment and trading portfolios may decrease

The Group's portfolio of securities comprises debt and equity securities. The quality of the Group's portfolio of securities may be affected by macroeconomic factors, the general business environment and developments in the financial markets, and by the creditworthiness and financial position of counterparties to the Group's transactions. The quality of debt securities held by the Group is dependent upon the ability of issuers of the securities to make payments on the securities when due, which in turn may be affected by changes in their financial standing.

As at 31 December 2017, debt instruments issued by the State Treasury accounted for 85.8 per cent. of the Group's debt securities portfolio in investment and trading securities. A decrease in the price of such securities may occur as a result of several factors, in particular: (i) an increased supply of such securities by

the Polish government due to an increased issue of those securities to finance the budget deficit or an increased offer of securities by investors disposing of them, (ii) increases in domestic interest rates, or (iii) a decrease in the credit ratings for Poland's sovereign debt, and (iv) increased political risk and a negative perception of Poland by investors. Any decrease in the price of such securities could adversely affect the Group's business, financial condition and results of operations.

The Group's portfolio includes negotiable financial instruments whose daily valuations depend on certain market parameters (such as foreign exchange rates, interest rates, prices of bonds and stocks, stock indices values, futures prices, and implied volatilities of options). As these parameters vary continuously according to market forces, valuations of the financial instruments also change accordingly, which may adversely impact unrealised results of these portfolios, even though certain components of market risk of those portfolios are hedged and the trading is carried out within set market risk limits. In addition, market movements may also adversely affect realised results of the trading book. Any occurrence of any of these factors may have an adverse effect on the Group's business, financial condition and results of operations.

The Group has significant exposure to counterparty credit risk in connection with its banking operations

The Group is exposed to counterparty risk arising from the potential inability of the Group's counterparties, including corporate customers, banks and other financial institutions, to fulfil their obligations under transactions and financial instruments entered into with the Group due to a number of factors, including, in particular, bankruptcies, a lack of market or individual customer liquidity, economic downturns, adverse financial and market movements (e.g. in interest rates or foreign currency exchange rates, commodity prices, the implied volatility of foreign exchange options, etc.), operational failures and increased economic and political uncertainty. A reduction in the ability of the Group's counterparties to fulfil such obligations, or a default by, or even concerns about the creditworthiness and financial standing of, one or more of the Group's counterparties could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group has substantial assets, associated with foreign exchange derivatives, which include foreign exchange swaps, forwards and options conducted with other banking and non-banking clients. These foreign exchange derivatives require the customer to provide collateral if the instrument reaches a prescribed loss level. Due to the significant changes of the PLN exchange rate against certain foreign currencies many customers who purchased foreign exchange derivatives have been unable to provide the required collateral.

Continued foreign exchange rate volatility of the PLN against foreign currencies could increase the pressure on the Group's counterparties and could lead to increased defaults of the Group's counterparties and further losses incurred by the Group on its foreign exchange derivatives. Such developments could have an adverse effect on the business, financial condition and results of operations of the Group.

The Council of the European Union has adopted a bank recovery and resolution directive which has been implemented in Poland and which is intended to enable a range of actions to be taken in relation to credit institutions, investment firms, certain financial institutions and certain holding companies (each a relevant entity) considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer could materially affect the value of any payment under the Notes

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive** or **BRRD**) entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing relevant entity so as to ensure the continuity of the relevant entity's critical financial and economic functions, while minimising the impact of the relevant entity's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) a relevant entity is failing or likely to fail, (b) there is no

reasonable prospect that any alternative private sector measures would prevent the failure of such relevant entity within a reasonable timeframe, and (c) a resolution action is in the public interest. These tools and powers are: (i) sale of business - which enables resolution authorities to direct the sale of the relevant entity or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the relevant entity to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity and/or to convert certain unsecured debt claims to equity (the **general bail-in tool**), which equity could also be subject to any future write-down.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

A relevant entity will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments at the point of non-viability and before any other resolution action is taken (non-viability loss absorption) which may apply to Subordinated Notes. Any shares issued to holders of Subordinated Notes upon any such conversion into equity may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which (i) the relevant authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or that (ii) the relevant authority or authorities, as the case may be, determine(s) that the relevant entity or its group will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or (iii) extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the economy of an EEA member state and to preserve financial stability.

Poland has implemented the BRRD and the general bail-in tool by adopting the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and the compulsory restructuring (the **Act on the Bank Guarantee Fund**) which became effective on 9 October 2016. The Act on the Bank Guarantee Fund introduced to the Polish legal system all of the four resolution tools and powers, including the general bail-in tool, referred to above. In July 2017, the Bank Guarantee Fund, which in Poland is responsible for the resolution procedures and minimum requirement for own funds and eligible liabilities (**MREL**) implementation, presented the details of the methodology to calculate MREL and declared that commercial banks will have to meet these requirements by 1 January 2023. MREL requirement will consist of two elements: a loss absorption amount (the amount needed to absorb losses up to and in resolution) and a recapitalisation amount (the amount needed to recapitalise an institution to ensure that it can continue to meet conditions for authorisation and sustain market confidence (dependent on the resolution strategy)).

Any exercise of the bail-in tool in respect of the Bank may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable in respect of the Notes and/or the

conversion of claims under the Notes into shares or other securities or other obligations of the Bank or another person.

Noteholders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant compulsory resolution authority to exercise its resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

This may result in Notes not being repaid and Noteholders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Any reduction in the credit rating of the Bank and its subsidiaries could increase its cost of funding and adversely affect its interest margins

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. A reduction in the Group companies' credit ratings could increase the costs associated with its interbank and capital market transactions and could adversely affect the Group's liquidity and competitive position, undermine confidence in the Group, increase its borrowing costs and adversely affect its interest margins. Furthermore, should the rating of the Bank be downgraded below investment grade, this could significantly impair the operating business of the Bank, the refinancing costs of the Group and the Bank's eligibility to act as a counterparty to derivative transactions for some market participants.

Rating agencies' assessments are driven by a number of factors, including franchise value, capitalisation, profitability, applicable sovereign ratings, refinancing opportunities and liquidity as well as potential parental support. Pressure on the Bank's credit ratings may arise, for example, in the event of significantly weaker capital generation driven by poorer financial performance, a material deterioration of asset quality in a less favourable business environment, the downgrade of the parent company, Commerzbank, or a downgrade of the rating applicable to Poland.

A downgrade in the rating of the Bank and its subsidiaries could increase the financing costs associated with transactions on the interbank market and could adversely affect the Group's business, financial condition and results of operations.

The Group faces risk associated with KUKE insurance

The Bank provides some of its corporate clients with products and services relating to export trade. In some of the markets in respect of which the risk is difficult to fully estimate, in order to address economic and political risk, the Group uses insurance coverage provided by the Polish Export Credit Insurance Corporation (**KUKE**). KUKE is the only insurance company in Poland authorised to provide export insurance guaranteed by the State Treasury of Poland. Its offer also covers long-term export projects financed by credit loans granted for periods exceeding two years. Loans insured by KUKE bear higher political and geographical risk and in principle are granted for longer periods of time.

Although the Bank has made a limited number of claims from KUKE in respect of loans insurance provided by it and, in some cases, has received payment in respect of those claims, the Bank has a limited track record in making such claims. Accordingly, there is uncertainty in relation to the likelihood of making successful claims under KUKE insurance.

There is therefore a risk that, in the event that the Bank makes a substantial claim in respect of a KUKE-insured loan in its portfolio, the Group may face difficulties in receiving payment in full from KUKE, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

Historical results of the Group's loans and advances portfolio may not be indicative of expected future results

The Group's loan portfolio increased significantly between 2005 and 2011 primarily as a result of an increase in the volume of mortgage loans advanced by the Bank. As a result, a significant portion of the loans in the portfolio still has not reached the anticipated years during which default is most likely and the Group's default rate may increase as these loans season.

In addition, as a result of the depreciation of the PLN against CHF, the outstanding principal balance of retail mortgage loans denominated in CHF calculated in PLN may exceed the value of collateral securing such loans and, as a result, the loss given default ratio (the **LGD**, being the percentage of exposure lost in case of default) applicable to the Group's foreign currency portfolio may increase.

If the default rate of the Group's loans and advances significantly exceeds the default rate that was assumed in setting interest rates for these loans, then the Group's business, financial condition and results of operations could be adversely affected.

The Group may not be able to improve or sustain its current interest rate margins or commissions on loans

The net interest income achieved by the Group depends to a large extent on the levels of the Group's interest-bearing assets and liabilities and the average interest rates on interest-earning assets and interest-bearing liabilities.

Various factors could affect the Group's ability to maintain credit and deposit margins as well as fees and commissions at current levels. These factors include the evolving regulatory environment, increasing competition in the market, changing demand for fixed and floating interest rate loans, possible changes in monetary policy conducted by the Monetary Policy Council, the level of inflation, and changes in interest rates (WIBOR and LIBOR) on interbank markets.

Between 2013 and 2015, the Monetary Policy Council carried out an expansionary monetary policy which was reflected in the scale and frequency of interest rate cuts: cutting the benchmark interest rate by 175 basis points to 2.50 per cent. in 2013 (six interest rate cuts), by 50 basis points to 2 per cent. in October 2014, and by a further 50 basis points to 1.50 per cent. in March 2015. In 2016 and in 2017 interest rates remained flat.

The Group could suffer decreasing interest rate margins for various reasons, including:

- if market interest rates on floating interest rate loans decline and the Group is unable to offset such effect by decreasing the rates payable on deposits;
- if interest rates payable on deposits increase resulting from additional competition among banks or other factors beyond the Group's control; or
- if increased competition on the market and economic recovery push credit spreads down.

Interest charged on retail loans granted by the Group cannot exceed the maximum interest rate permitted by Polish law. Additionally, an amendment to the Consumer Credit Act which came into force on 11 March 2016 establishes caps on non-interest charges and default interest chargeable under consumer loans.

The Group's inability to maintain interest rate margins and commissions on loans may result in lower net income and could materially adversely affect the business, financial condition and results of operations of the Group.

A high proportion of long-term mortgages in the Group's loan portfolio makes it difficult for the Group to adjust its loan margins to market terms whilst any deterioration of residential real estate prices and decrease in value of collateral provided to the Bank may negatively affect the Group's business, financial condition and/or the results of its operations

In accordance with Polish law, the Bank or any member of the Group is not able to unilaterally change the terms of granted loans and advances to individuals, including credit margins. As at 31 December 2017, gross housing and mortgage loans to individuals (retail mortgage loans) constituted a material part (67.7 per cent.) of the Group's total gross loans and advances to individuals. As a result, the Group is limited in its ability to change its average credit portfolio margins through the generation of new mortgage loans and advances reflecting current credit margins on the market compared to other financial institutions operating on the Polish market, which have credit portfolios with a larger proportion of short-term loans. Moreover, the Group was not able to recover the cost of the Polish Banking Tax (see "*Additional tax burdens may be imposed on Polish banks or the existing tax burden may be increased*" in this section) from its clients with respect to the portfolio of mortgage loans originating before the introduction of the banking tax. This limited ability to re-price its loan portfolio may adversely affect the business, financial condition and results of operations of the Group.

When granting mortgage loans and calculating the applicable interest rates, the Group assumes a certain level of prices of residential real property securing such loans. If sale prices of residential real property in Poland substantially decline for any reason, the value of the Group's security might be adversely affected and in cases of foreclosure, the Group may not be able to recover the entire amount of the loan if the borrowers are unable to repay them. In addition, investments in real estate are characterised by low liquidity as compared to other types of investments and such liquidity may further deteriorate in periods of economic downturn. The Group cannot guarantee that if the residential real estate market in Poland deteriorates significantly, the ability to enforce its security in a timely and effective manner would not deteriorate significantly.

As a result of the depreciation of the PLN against CHF, the outstanding principal balance of retail mortgage loans denominated in CHF calculated in PLN may exceed the value of collateral securing such loans and, as a result, the LGD applicable to the Group's foreign currency portfolio may increase.

This could have an adverse effect on the Group's business, financial condition and the results of its operation.

The Group is exposed to risks resulting from providing non-mortgage loans

The Group has increased its market share of non-mortgage loans in the retail credit portfolio. In recent years the Group offered consumer credit products mostly to existing, low-risk customers. If, as a result of its increased market share in non-mortgage retail loans, the Group has increased its exposure to customers with a higher credit risk, then this could have an adverse effect on the business, financial condition results of operations of the Group.

In addition, Polish banks (including the Issuer) are subject to restrictions on the maximum interest rates which may be charged under a loan agreement. Currently, the maximum interest rate is equal to the sum of the applicable reference rate of the National Bank of Poland and 3.5 per cent. multiplied by two. Any reduction to the applicable reference rate is reflected in the rate which the Bank is able to charge customers on non-mortgage loans. A deterioration in interest rates may therefore have an adverse effect on the Group's business, financial condition and the results of its operation.

The Group's risk management methods may prove ineffective at mitigating credit risk

Losses relating to credit risk may arise if the risk management policies, procedures and assessment methods implemented by the Group to mitigate credit risk and to protect against credit exposures prove less effective than expected. The Group employs qualitative tools and metrics for managing risk that are based on

observed historical market behaviour. These tools and procedures may fail to predict future risk exposures, especially in a market characterised by increased volatility and falling prices. Given the Group's variety of lending activities, the risk management systems employed by the Group may prove insufficient in measuring and managing risks.

The occurrence of any of the factors mentioned above may have a material adverse effect on the business, financial condition, results of operations of the Group.

The Group is exposed to operational risk related to its business activities

Operational risk accompanies all processes at banks and its consequences can often be significant. The Group is subject to the risk of incurring losses or unforeseen costs relating to inadequate or failed internal processes, human errors, system failures, errors relating to the outsourcing of the performance of certain services to external service providers, or external events. Typical categories of operational loss include: errors made during the execution of operations, record-keeping errors, business disruptions (caused by, for example, software or hardware failures and communication breakdowns), fraud (including related to credit cards), legal claims over transactions or operations and damage to assets. In addition, because some of the Group's business transactions are conducted via internet platforms, the Group is exposed to third party attacks on its IT systems (see "The Group's IT systems may fail or their security may be compromised") which could result in financial or reputational loss. The Group utilises a number of IT systems to conduct its operations. Due to the high complexity of interactions and interdependencies among the Group's IT systems, there can be no assurance that these systems will always properly interact with one another or will always effectively ensure the error-free and timely transfer of data within the IT structure of the Bank and the Group.

The Group also outsources performance of specific activities on its behalf, including IT services as well as document consignment services, cash support services, cash processing, and debt recovery to third parties. Additionally, the Bank outsources to external service providers the performance of certain services related to the sale of retail banking products offered by the Bank. If any of the third parties on which the bank relies fails to duly perform in accordance with the terms of their agreements with the Bank, then this could result in operational deficiencies or reputational risk for the Group. Furthermore, the Group may be exposed to the risk of liability to its customers and reputation loss if such external providers fail to duly perform their services or, specifically, if they perform their services in breach of applicable law or banking regulations or if they take improper actions which result in an infringement of third party rights.

Additionally, failures of the Group's operational risk management system to detect or prevent operational problems of third parties which prevent them from performing the activities outsourced to them could affect the Group's business, financial condition, results of operations and/or prospects.

The occurrence of the factors described above could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group's fee and commission income may be negatively affected by a decline in business activity in the markets in which the Group is present

The Bank generates fee and commission income primarily from the placement of new loans, the sale of current account products, agency services in connection with the sale of insurance products, sales of card products and electronic online banking products with retail customers, new leasing and debt origination, business accounts, cash management, financial markets instruments, brokerage services and trade finance products with corporate banking customers. A slowdown in business activity in the markets in which the Group is present as a result of the current or future economic environment could decrease the demand for these products, which could have a material adverse effect on its fee and commission income and, therefore, the business, financial condition, and results of operations.

The introduction of new products and services by the Group and the commencement or continuation of business activities in new markets may involve increased risk

The Group concentrates its business activities in retail banking, corporate banking and investment banking. As part of its development strategy, the Group has undertaken steps to diversify its business by providing a wider range of new products and services to its retail, corporate and investment banking customers in the expectation of generating new revenues, raising brand awareness and attracting new customers. However, there can be no assurance that the historical performance of the Group's products and services will be indicative of the future performance of these new products and services. In addition, these new products may involve increased credit risk.

Any failure of these new products and services to generate additional revenues for the Group, raise brand awareness of the Group's products and services or attract new customers or the increased credit risk associated with new products or services, may adversely affect the business, financial condition and results of operations of the Group.

The Group may also decide in the future to commence operations on new markets, which may expose it to risks relating to conducting foreign operations, including economic, political and regulatory risks.

The Group may fail in implementing its strategy

In June 2016, the Group introduced a new strategy for 2016-2020 called "mobile Bank". The new strategy is based on three critical elements: empathy for the client, leveraging mobility and continued improvements in efficiency. Strategic financial targets for 2016-2020 are based on the Group's ambitious assumptions with regards to cost effectiveness and returns.

The Group may fail to implement its strategy in the coming years in particular due to difficult economic or market conditions and legal and regulatory impediments, an increase in competition from other universal banks, changes in customer behaviour and other factors. In addition internal factors may cause the Group to fail to attain its strategic objectives, including, for example, delays and difficulties in launching new products and solutions in mobile and internet banking, problems in developing cross-selling within the Group or delays in implementing solutions to enhance customer service quality or difficulties in developing the retail or corporate segments. The occurrence of such factors could lead to the Group losing its position as one of the leading universal banking groups in Poland and the leading institution in terms of internet and mobile banking channels.

If the Group does not successfully implement its strategy, or implements it only partially, this may have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group faces increasing competition in Poland's banking industry

Since Poland's accession to the EU, at which time restrictions on foreign financial institutions conducting certain type of business activities were lifted, the Polish banking sector has been marked by low barriers to entry and increasing competition, which resulted in a number of acquisitions and market entries by non-Polish financial institutions. The Group primarily faces competition in its universal banking activities, where its competitors include large Polish and international banks operating in Poland's retail, corporate and investment banking markets. In particular, taking into account the large investments made by other banks in new technologies, the Group faces increasing competition in internet and mobile banking, in respect of which the Bank has historically held a leading position.

High levels of competition in the banking industry could also lead to increased pricing pressures on the Group's products and services, which would have a material adverse effect on the business, financial condition and results of operations of the Group. In particular, increased competition for deposits may lead to a higher loans-to-deposit ratio and an increase of the Group's cost of funding.

In addition in recent years, the Polish banking sector has experienced an on-going trend of consolidation, which may allow certain of the Group's competitors to benefit from an increased scale of operations. See "*Development of the Polish Banking Sector*".

The competitive position of banks, including mBank, is also affected by other financial service providers – entities that are not banks, but which engage in the provision of financial services. While not regulated by the KNF, these entities might be able to offer potential customers more attractive terms for financial services than regulated banks. As a result, the Polish banking sector is exposed to competition from non-regulated entities.

Moreover, new entrants such as FinTech companies, providing online financial services, are also increasingly competing for customers and market share. The developing relationships between FinTech companies and traditional banks are a significant trend and may have a significant impact on the existing market structure for banking services. New players like Google, Apple, Facebook and Amazon could seek to offer financial services traditionally provided by banks.

These additional competitors are likely to add pressure on margins, especially if they are able to benefit from lower cost structures and less onerous regulatory requirements.

If the Group is unable to maintain its competitive position in the Polish banking sector, this may have a material adverse effect on the Group's business, financial condition, and results of operations.

The Group faces liquidity risk

Liquidity risk is the risk that the Bank may be unable to meet current and future (including contingent) payment obligations as they become due. Liquidity risk may result from internal factors (for example, the impact of negative publicity and/or reputational damage, resulting for instance in excessive withdrawal of cash by the Bank's clients or the materialisation of credit risk) and external factors (turbulence and crises in the financial markets, country risk or disruption in the operation of clearing systems).

The Group becomes exposed to liquidity risk when the maturities of its assets and liabilities do not coincide. In particular, the Group may be exposed to increased liquidity risk as a result of its holdings of real estate mortgage loans, which are long-term assets. Although generally holdings of real estate mortgage loans are covered by long and mid-term funding, they are partially financed by short-term and on-demand deposits.

Maturity mismatches between the Group's assets and liabilities may have a material adverse effect on the Group's business, financial condition, and results of operations if the Group is unable to obtain new deposits or find alternative sources of funding for existing and future loan and advances portfolios.

In terms of current and short-term liquidity risk, if a substantial portion of the Bank's clients withdraw their demand deposits or do not roll over their term deposits upon maturity, as would be the case with many other banks, the Bank's liquidity position may be adversely affected. Current liquidity may also be affected by unfavourable financial market conditions. If assets held by the Bank in order to provide liquidity become illiquid due to unforeseen financial market events or their value drops substantially, in such circumstances, the Bank might not be able to meet its obligations as they come due and therefore might be forced to resort to interbank funding, which, in the event of an unstable market situation, may become excessively expensive and uncertain. In addition, the Bank's ability to use such external funding sources is directly connected with the level of credit lines available to the Bank, and this in turn is dependent on the Bank's financial and credit condition, as well as general market liquidity.

A loss of liquidity or an inability to raise sufficient funds to finance its operations, particularly its lending operations, may have an adverse effect on the business, financial condition and results of operations of the Group.

The Group may not be able to hire, train or retain a sufficient number of qualified personnel

The success of the Group's business depends, among other things, on its ability to recruit and maintain qualified personnel. The Group is dependent upon high-level management to implement its strategy and day-to-day operations. The Group endeavours to reduce the risk of losing key employees through various measures, including in particular through management and career development measures. Despite these measures, the Group may not succeed in attracting or retaining highly qualified employees in the future. In Poland, there is strong competition for qualified personnel specialised in banking and finance, especially at middle and upper management levels.

Competition of this kind may increase the Group's personnel-related costs and make it difficult to recruit and offer incentives to qualified personnel. In addition, the Group's senior management or key employees of the Group's companies may resign or file a termination notice at any time, which could harm the relationships the Group's companies have developed with its customers. The Group's companies may not be able to retain such employees, and if they do resign, the Group's companies may not be able to replace them with persons of the same ability and experience. This could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

The Group's IT systems may fail or their security may be compromised

The Group relies heavily on numerous IT systems for a variety of functions, including processing applications, providing information to customers, maintaining financial records and providing crucial financial and market data to the Management Board. In addition, the Group uses distribution channels based on an IT platform comprising online banking, mobile banking and call centres.

The Group's activities involve the use and constant development of several IT platforms dedicated to the various segments of the Group. In particular, the business model of the Bank's retail segment, which involves offering banking services through an online transactional system and mobile applications, is significantly dependent on the availability, functionality and security of the Group's IT systems and, as a result of its high reliance on online platforms, it is also particularly exposed to third party attacks via the internet, e.g. cyber-attacks. Malfunctions, in particular with respect to the use of and interactions between the Group's IT platforms, information leakages, service interruptions or similar events may affect the relationship between the Group and its customers. The Group constantly modifies and enhances the protective measures it takes to counteract these risks. Nevertheless, there is a risk that such measures may not be effective against all threats related to cyber-attacks, taking into account their varying nature and evolving sophistication. A successful attack could result in material losses of client or customer information, damage of computer systems, damage the Group's reputation and lead to regulatory penalties or financial losses.

Moreover, programming errors and similar disruptions could impact the Group's ability to serve the needs of its customers on a timely basis, interrupt the Group's operations, damage the Group's reputation or require it to incur significant technical, legal and other expenses. In addition, the integrated IT system or upgraded information technology systems may fail to meet the needs of the Group's growing and changing business.

The Group is also subject to regulation regarding the use of personal data. The new Data Protection Regulation in Poland imposes new obligations and guidelines on companies in the management and processing of personal data. Administrative fines of EUR 20 million or 4 per cent. of a company's annual turnover can be imposed for non-compliance with the Data Protection Regulation.

The Group has procedures in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers, and has also implemented security measures to prevent cyber-theft. However, if the Group or any of the third party service providers fails to store or transmit customer information in a secure manner, or if any loss or wrongful processing of personal customer data were otherwise to occur, the Group could be subject to investigative and enforcement action by relevant regulatory authorities and could be subject to claims or complaints from the person to whom the data relates,

or could face liability under data protection laws. Should some or all of these risks materialise, this may have an adverse effect on the business, financial condition and results of operations of the Group.

Risks relating to macroeconomic and regulatory conditions

Global economic conditions have had, and will continue to have, an effect on the Group's business, financial condition and results of operations

The performance of the Group is generally influenced by the condition of the global economy and, in particular, the crisis in the international financial markets and the decline of macroeconomic conditions in Europe, including Poland and Poland's principal trading partners such as Germany and other EU countries.

The financial crisis of 2008-2009 adversely affected developed countries, while developing markets, including Poland, experienced a significant economic downturn. The resulting slowdown in economic growth, the erosion of trust in financial institutions, restricted access to the interbank market and other forms of financing, increased unemployment rates and declines in stock market valuations caused disruptions in financial markets worldwide and impacted liquidity and funding in the international banking system.

In 2010, the crisis severely impacted the financial conditions of various sovereign nations, especially in the Eurozone, causing further pressure on the European financial sector as a result of emerging sovereign credit risk. Negative developments led to a deterioration in the credit ratings of a number of countries and raised doubts as to the ability of those national economies to meet their sovereign debt obligations.

The bail-out packages and the purchase of government bonds by the ECB from countries under pressure calmed the markets and progress has been made in stabilising the economies of certain countries. However these measures have not eliminated concerns in relation to the sustainability of the situation. Concerns remain as to whether it would be possible to support larger European economies, such as Italy or Spain, if the crisis reappears in regards to those countries. The economic situation in Greece remains fragile. Additionally, the Italian banking sector is burdened by non-performing loans.

The performance of the European markets and economies could deteriorate significantly as a result of the difficulties related to the potential re-emergence of the sovereign debt crisis, the consequences of the United Kingdom's exit from the European Union and certain doubts over the stability of the financial system in the Eurozone. Further developments in the Eurozone will depend on many political and economic factors including, among others, the effectiveness of measures taken by the ECB and the European Commission in connection with the sovereign debt in certain European countries and the role of the euro as the common currency in the face of a diverse economic and political situation in individual Eurozone countries.

Adverse macroeconomic conditions or negative developments in the financial markets would create an unfavourable environment for the banking sector and may have a material adverse effect on the business, financial condition, results of operations and/or the prospects of the Group.

The United Kingdom's exit from the European Union may affect the business of the Group

The United Kingdom held a referendum on 23 June 2016 in which a majority voted to exit the European Union (**Brexit**). Negotiations are on-going to determine the future terms of the United Kingdom's relationship with the European Union, including the terms of trade between the United Kingdom and the European Union. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets, either during a transitional period or more permanently. Brexit could adversely affect European or worldwide economic market conditions and could contribute to instability in global financial and foreign exchange markets.

Brexit may have negative implications for the Polish economy as Poland is the largest beneficiary of European Union structural funds and the United Kingdom is one of the largest net contributors to the

European Union budget. The United Kingdom's exit from the European Union may cause a need to adjust the European Union budget, which could reduce the amount of funds available to and received by Poland. Moreover, Brexit may cause exchange rate fluctuations and the instability of the Euro exchange rate. Volatility, or adverse macroeconomic developments in Poland, may have an effect on the business, financial condition and results of operations of the Group.

Any of these effects of Brexit, and others the Group cannot anticipate, could adversely affect the Group's business, results of operations, financial condition and cash flows, and could negatively impact the value of the Notes.

The economic conditions in Central and Eastern Europe and the devaluation of the currencies in these countries could have an adverse effect on the Group's business, financial condition and results of operations

There is a perception amongst certain investors that the economic or financial conditions of Central and Eastern European countries influence the economic or financial conditions of Poland, and that financial assets of Central and Eastern European countries may be treated as the same "asset class" by foreign investors. As a result, investors may reduce their investments in Polish financial assets due to deteriorating economic or financial conditions in other countries of Central and Eastern Europe. Specifically, the devaluation or depreciation of any of the currencies in Central and Eastern Europe could impair the strength of the PLN. A depreciation of the PLN against foreign currencies may make it more difficult for the Bank's customers to repay their foreign currency loans, which would have a negative impact on the Group's business, financial condition and results of operations. In addition, depreciation of the PLN against foreign currencies would affect the value of the foreign exchange derivatives held by many of the Group's customers. As a result, these customers could become unable to repay amounts due under these foreign exchange derivatives, which could also have a material adverse effect on the Group's business, financial condition and results of operations. The financial problems faced by the Group's customers could also adversely affect the Group's business, financial condition and results of operations. Market turmoil and economic deterioration could adversely affect the respective liquidity, businesses and/or financial conditions of the Group's borrowers, which could in turn further increase the Group's non performing loan ratios, impair its loan and other financial assets and result in decreased demand for the Group's products. In an environment of significant market turmoil, economic deterioration and increasing unemployment, coupled with declining consumer spending, the value of assets collateralising the Group's secured loans, including real estate, could also decline significantly.

The occurrence of any of these developments could have a material adverse effect on the business, financial condition, results of operations and/or the prospects of the Group.

Deterioration in Poland's economic conditions could affect the Group's business, financial condition and results of operations

The Group principally conducts its operations in Poland where the overwhelming majority of its customers are located. As a result, the macroeconomic situation in Poland has a material impact on the business, financial condition and result of operations of the Group.

The economic situation in Poland depends on a number of factors, including measures by which a government attempts to influence the economy, such as setting levels of taxation, government budgets, the money supply and interest rates as well as the labour market, the demographic situation in the country, macroeconomic conditions in the world and in Europe and inflow of funds from the European Union.

A potential prolonged economic slowdown in Poland would damage the Group's operations. Higher unemployment and lower consumption, as well as fluctuations in the financial markets (including the currency market), may adversely affect the financial conditions of the Group's customers, which could, in turn, impair the quality and volume of the Group's loans and advances portfolio and other financial assets

and result in decreased demand for the Group's products. In addition, in unstable market conditions, the value of assets securing loans already granted or to be granted by the Group, including real estate, may decline significantly.

The Group's business, as well as the successful implementation of its strategy, is highly dependent on the financial situation of its customers and their ability to repay existing obligations, make deposits and acquire new financial products offered by the Group. The financial situation of Polish households, including the Group's customers, is highly correlated with the unemployment rate. An increase in the unemployment rate in Poland could cause an increase in the Group's impairment losses or hinder growth of the Group's loans and advances portfolio.

The level of risk that is acceptable to customers may also decrease with respect to investments in securities, investment fund units or other investment products offered by the Group. Significant fluctuations or a decline in financial markets may discourage potential customers from buying investment products offered by the Group and current holders may withdraw or reduce their exposure to such products, which may have an adverse effect, in particular, on the Group's fee and commission income.

Any deterioration of the economic, business, political and social conditions in Poland may have a material adverse effect on the business, financial condition and operations of the Group.

The Bank and the Group may be unable to satisfy its or their required minimum capital adequacy ratios

In recent years, capital adequacy requirements have become more stringent, which impact the Group's profitability, profit distribution and operational flexibility. In particular, the Group is subject to increased capital requirements under the Act on Macro-prudential Supervision of the Financial System and Crisis Management of 5 August 2015 and decisions and recommendations issued by the KNF.

The adequacy assessment of the Group's capital base (including among others the calculation of capital ratios and the leverage ratio, own funds and the total capital requirement) is made according to the following regulations:

- the 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 (**CRR Regulation**);
- the Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council with further amendments (**ITS Regulation**);
- the Banking Act of 29 August 1997 with further amendments (the **Banking Law**);
- the Act on Macro-prudential Supervision of the Financial System and Crisis Management of 5 August 2015 ; and
- Regulation of the Minister of Development and Finance of May 25th, 2017 on the application of higher risk weights to credit exposures secured by mortgages on real estate property.

The minimum level of mandatory capital adequacy ratios for banks in Poland in 2018 encompasses:

- the capital requirement arising from CRR – a Total Capital Ratio (**TCR**) of 8 per cent. and a Tier 1 capital ratio of 6 per cent.;

- a combined buffer requirement, which includes a capital conservation buffer, a countercyclical capital buffer, an O-SII buffer (individual for particular banks) and a systemic risk buffer; and
- an additional capital charge in Pillar II.

Taking into account the capital buffers and capital add-on, as at 31 December 2017, the required minimum capital ratios for the Bank at the individual level were 18.12 per cent. for TCR and 14.09 per cent. for Tier 1 capital ratio. At the consolidated Group level, the required minimum capital ratios are 17.55 per cent. for TCR and 13.67 per cent. for Tier 1 capital ratio.

As of 31 December 2017, the Group reported TCR and the Tier 1 capital ratio at 20.99 per cent. and 18.31 per cent. respectively, while standalone TCR and the Tier 1 capital ratio for the Bank stood at 24.62 per cent. and 21.51 per cent., respectively. At the date of this Base Prospectus, the capital adequacy ratios reported by the Bank were above the minimum levels required by KNF on both the individual and consolidated levels. However, certain developments could affect the Group's ability to continue to satisfy the minimum capital adequacy requirements, including:

- an increase in the Group's total risk exposure amount as a result of the rapid expansion of its business or depreciation of the PLN against the foreign currencies in which a part of the Group's assets are denominated;
- deterioration of asset quality leading to a higher level of regulatory expected loss, which would cause an increased amount of capital deductions;
- the Bank's ability to raise capital;
- losses resulting from a deterioration in the Group's asset quality, a reduction in income levels, an increase in expenses or a combination of all of the above;
- a decline in the values of the Group's securities portfolio;
- changes in accounting rules or in the guidelines regarding the calculation of the capital adequacy ratios of banks; and
- additional capital requirements or changes in the minimum capital requirements imposed by the Bank's regulator.

The Group's ability to raise additional capital may be limited by numerous factors, including:

- the Group's future financial condition, results of operations and cash flows;
- any necessary government regulatory approvals;
- the financial condition of the Bank's majority shareholder;
- financial markets disruption;
- the Bank's credit rating;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- domestic and international economic, political and other conditions.

Moreover, there can be no assurance that the Bank will be able to comply with potentially more stringent prudential regulations concerning capital adequacy, including further changes to the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the **CRD IV**), the CRR and the possible introduction of Basel 4.

Failure to maintain the required capital adequacy ratios or to otherwise maintain sufficient levels of capital may lead to restrictive measures imposed upon the Bank under the Banking Act or the Act on the Bank Guarantee Fund (implementing BRRD in Poland) and may have an adverse effect on the business, financial condition and results of operations of the Group.

Moreover, a breach of existing laws relating to minimum capital adequacy ratios may result in entities in the Group being subject to administrative sanctions, which may result in an increase of the operating costs of the Group, loss of reputation, and, consequently, it may have an adverse effect on the business, financial condition and results of operations of the Group.

Changes to or an increase in the regulation of the financial services and banking industry in Poland and internationally could have an adverse effect on the Group's business

Regulations governing the banking and financial services industries in Poland and internationally are likely to increase, particularly in the current market environment, where supervisors have recently moved to tighten regulations governing financial institutions. As a result of these and other on-going and possible future changes in the financial services regulatory landscape (including requirements imposed on the Group as a result of governmental or regulatory initiatives, such as the recommendations of the European Union, recommendations of the KNF and new regulations from the Basel Committee on Banking Supervision), the Group may face greater regulation in Poland and other countries in which it conducts operations. Compliance with such changes may increase its capital requirements and costs, heighten disclosure requirements, hinder entering into or carrying out certain types of transactions, affect the Group's strategy and limit or require modification of the rates or fees that it charges on certain loan and other products, any of which could lower the return ratio on its investments, assets and equity. The Group may also thus face increased compliance costs and limitations on its ability to pursue certain business opportunities.

As a result of new recommendations from the KNF, as well as other possible changes in existing recommendations and the issuance of new recommendations affecting supervision, the Bank may become subject to more onerous and strict supervision, increased capital adequacy requirements, changes in its risk model and risk management or be required to incur additional costs, as well as be subject to restrictions on certain types of transactions.

The occurrence of any of the above-mentioned factors may affect the Group's strategy, its growth potential, its fees and commissions, and profit margins and, consequently, could have a material adverse effect on its business, financial condition and results of operations.

Additional tax burdens may be imposed on Polish banks or the existing taxes may be increased

In December 2015, the Polish Parliament adopted the Act on Tax Imposed on Certain Financial Institutions (the **2015 Tax Act**). The purpose of the 2015 Tax Act, which entered into force on 1 February 2017 is to impose tax on the assets of financial institutions, including banks. The tax (the **Polish Banking Tax**) is calculated by reference to the total assets of a bank, subject to a tax-free amount of PLN 4 billion. Own funds and treasury bonds are excluded from the new tax.

The tax rate, which is charged monthly, is currently set at 0.0366 per cent., but there is no guarantee it will not be raised in the future or that additional taxes will not be levied on the Bank. The 2015 Tax Act prohibits financial institutions from adjusting the pricing of pre-existing financial and insurance services to pass on or

share the cost of complying with the 2015 Tax Act to customers. Since it was introduced, the Polish Banking Tax has materially reduced net profit generated by the Group. The amount of the Polish Banking Tax paid by the Group between February and December 2016 reached PLN 328.9 million, while the tax paid in 2017 stood at PLN 375.3 million.

Any changes in the Polish Banking Tax, which increase the level of the tax payable by the Bank, will affect the financial results of the Group and could have a material adverse effect on its business, financial condition and results of operations.

The Bank may be required to make substantial mandatory contributions, including contributions to the Bank Guarantee Fund (the BGF)

Pursuant to the provisions of the Polish Act on the Bank Guarantee Fund, the Bank is a member of a mandatory guarantee system and is obliged to contribute to a deposit guarantee fund and a resolution fund.

Since 2017, the amount of contributions to the bank guarantee fund and the resolution fund is calculated by the BGF individually for each bank. Contributions to the deposit guarantee fund are paid quarterly. The basis for calculation of fees for a given quarter is the value of the covered deposits at a bank, at the end of the quarter immediately preceding the quarter to which the contribution relates. Contributions to the resolution fund of banks are paid once a year. The obligation to pay the fee contribution on the first day of the third quarter, however, in accordance with the guidelines of the BGF and International Financial Reporting Standards Interpretations Committee's (IFRIC) 21, the contribution is booked in the first quarter. The basis for calculating contributions is the sum of a bank's liabilities (net of own funds and covered deposits) in a bank as at the last approved annual financial statements before 31 December of the year preceding the year of contribution.

In 2015 and 2016, the BGF has requested additional contributions from the banking sector to cover the cost of payments to deposit holders of bankrupt banks. In 2015, the KNF submitted a bankruptcy filing for the cooperative bank Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie. As a result, based on the Act on Bank Guarantee Fund, the Group was obliged to pay a contribution of PLN 141.7 million to the BGF. In 2016, the Group's additional contribution for the repayment of guaranteed deposits to the depositors of Bank Spółdzielczy in Nadarzyn reached PLN 10.9 million.

For the year ended 31 December 2017, the value of the Group's BGF contribution for both funds amounted to PLN 180.1 million, compared to PLN 161.7 million in 2016.

Due to the relatively large scale of the Bank's operations, if a member of the mandatory guarantee system were to declare bankruptcy, the Bank may be obliged to make larger payments to the BGF than other members of the deposit guarantee system.

In addition, a Borrowers' Support Fund was established pursuant to the Act of 9 October 2015 in order to support residential borrowers in financial difficulties. This fund, managed by BGK (the state development bank), is intended to provide support to private individuals who find themselves in difficult financial situations and who are required to repay housing loans which significantly encumber their household budgets. The Borrowers' Support Fund is funded predominantly from contributions made by lenders in proportion to their housing loan portfolio for households, for which the delay in repayment of principal or interest exceeds 90 days. The Group was obliged to make related one-off contributions to the Borrowers' Support Fund (PLN 52.1 million in 2015). A draft law amending the law on support to homeloan borrowers which is before the Polish Parliament would extend the scope of the law on support to borrowers in a difficult financial situation and would introduce a rule of quarterly contributions of creditors to a supporting fund and a restructuring fund. The latter one would be used to support the voluntary restructuring of foreign currency denominated or indexed home loans (See "*The Group is exposed to regulatory and political risks related to its CHF denominated loans*" in this section).

If the Bank is required to make substantial contributions to the BGF and the funds managed by BGK, it may have a material adverse effect on the Bank Group's strategy, its growth potential and profit margins and, consequently, could have a material adverse effect on its business, financial condition, and results of operations.

The Group may fail to comply with, or be subject to changes in, certain regulatory requirements applicable to banking and other regulated business, or with the guidelines set forth by financial supervisory authorities on the markets where the Group is present

Apart from its banking operations, the Group also renders other regulated financial services and offers transactional banking products, products relating to the market for financial instruments and insurance products that are subject to the supervision of the KNF, the authority supervising financial markets, including the banking sector in Poland and other relevant authorities in the jurisdictions where it operates. The scope of supervision and regulation of these products and services is also dependent on directives and regulations issued by European regulatory authorities.

The increasing number and ambiguity of certain regulatory requirements, and their application to the Group on the markets where the Group is present, together with changes to the regulatory requirements and guidelines, has placed an increased burden on the Bank and other Group entities to amend their internal policies and procedures in order to meet the requirements of the competent supervisory authorities, and EU directives and regulations, which in some cases may have led to instances of the non-compliance of the Bank and other Group entities. In addition, the requirements and obligations stemming from different jurisdictions and the application thereof may be unclear and contradictory and in some cases may have led to instances of the non-compliance of the Bank and other Group entities.

Uncertainty with regard to the new rules and guidelines during the period in which they are implemented in the jurisdictions relevant to the Group as well as potential further changes to European or Polish banking regulations might impact the Group's ability to access capital or carry out certain business activities.

A failure to satisfy these requirements may expose the Bank or other Group entities to sanctions, fines and other penalties, which may have a material adverse effect on the business, financial condition and results of operations of the Group.

Changes in accounting principles relating to financial instruments may have an impact on the Group's financial statements and results

In July 2014, the International Accounting Standards Board published International Financial Reporting Standard 9 (IFRS 9) "Financial Instruments", which is set to replace IAS 39 as from 1 January 2018 after its adoption by the European Union. The standard amends and complements the rules on the classification and measurement of financial instruments. It includes a new impairment model based on expected credit losses (ECL), while the current model is based on provisions for incurred losses, and new rules on general hedge accounting.

The new approach based on ECL could result in substantial additional impairment charges for the Group and add volatility to its financial results. Additionally, the Group has applied provisions of IFRS 9 when preparing the Group's unaudited interim financial statements for the three month period ended 31 March, which hinder a comparative analysis between the Bank's interim financial statements and the financial statements for the years ended 31 December 2017 and 2016.

The KNF may identify issues during inspections of the Bank in the future which, if not adequately resolved by the Bank, may result in sanctions, fines or other penalties

In the course of its activities, the Group is subject to numerous inspections, reviews, audits and explanatory proceedings conducted by various supervisors which supervise the financial services sector and other areas

in which the Group operates, including the KNF and the Office for Competition and Consumer Protection (*Urząd Ochrony Konkurencji i Konsumentów*) (the **OCCP**). The latest inspection by the KNF took place in the fourth quarter of 2017.

If any irregularities are found by these supervisory authorities and the Bank fails to remedy them (provided that such possibility is given) the Bank may be exposed to sanctions, fines and other penalties as prescribed by the Banking Law. This could affect the business, financial condition and results of operations of the Group.

Interpretation of Polish laws and regulations may be unclear and Polish laws and regulations may change

The Bank has been established and operates under Polish law. The Polish legal system is based on statutory law enacted by the Parliament. A significant number of regulations relating to the issue of and trading in securities, shareholders' rights, foreign investments, issues related to corporate operation and corporate governance, commerce, taxes and business activity have been or may be changed. These regulations are subject to different interpretations and may be interpreted in an inconsistent manner. Moreover, not all court decisions are published in official journals and, as a matter of general rule, they are not binding in other cases and are thus of limited importance as legal precedent. The Bank cannot provide assurance that its interpretation of Polish laws and regulations will not be challenged and any successful challenge could result in fines or penalties or could require the Bank to modify its practices, all of which would have an adverse effect on the Group's business, financial condition and results of operations.

Interpretation of Polish tax law regulations may be unclear and Polish tax laws and regulations may change

The Polish tax system is subject to frequent changes. Some provisions of Polish tax law are ambiguous and often there is no unanimous or uniform interpretation of law or uniform practice by the tax authorities. Because of different interpretations of Polish tax law, the risk connected with Polish tax law may be greater than that under other tax jurisdictions in more developed markets. The Bank cannot guarantee that the Polish tax authorities will not take a different, unfavourable, interpretation of tax provisions implemented by the Bank or any Group member, which may have an adverse effect on the business, financial condition and results of operations of the Group.

Moreover, in relation to the cross-border character of the Group's business, the double tax treaties to which the Republic of Poland is a party also have an effect on the Group's business. Different interpretations of double tax treaties by the tax authorities and changes to these treaties may have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

The Bank may be required to implement a recovery plan under Polish banking law

In the event of a breach by a bank, or of a threat of breach, of capital adequacy requirements, significant deterioration of the financial situation of the bank, including the occurrence of a balance sheet loss or a threat thereof, a threat of insolvency or liquidity loss, increasing levels of financial leverage, increases in the Bank's leverage ratio, the value of its non-performing loans or the concentration of exposure, the Bank's Management Board shall forthwith notify the KNF and the BGF and shall ensure implementation of a recovery plan.

The KNF may by way of a decision:

- address the management board of a bank with a request to implement a recovery plan, including taking the measures specified in the recovery plan or an update thereof if the premises for its implementation differ from the premises adopted during development of the recovery plan or to take, within a specified period of time, actions provided for in the updated recovery plan in order to fulfil

the capital adequacy requirements as they apply to the Bank or to improve the Bank's financial situation;

- prohibit or restrict granting credit and loans to shareholders (members) and members of the management board, supervisory board and employees of a bank;
- order reduction or withholding of payment of certain variable components of remuneration of persons holding managerial positions in a bank;
- request the management board of a bank to convene an extraordinary general meeting of shareholders in order to assess the situation of a bank, adopt a decision to cover a balance sheet loss or to adopt other resolutions, including resolutions on an increase in own funds;
- request to dismiss one or more members of the management board or persons holding managerial positions if these persons fail to guarantee prudent and sound management of the bank;
- order, on considering a recovery plan, preparation and implementation of a restructuring plan of liabilities towards some or all of creditors;
- request a bank to amend its business strategy; or
- order to amend the statutes of a bank or its organisational structure.

The KNF may also appoint a trustee to oversee the execution of the recovery plan. The trustee may participate in the meetings of a bank's governing bodies and have access to all information necessary to perform its duties. The trustee may also file with the relevant court an objection against the decisions of the management board and the supervisory board. In addition, with the consent of the KNF, the trustee may convene an extraordinary general meeting of the be Bank.

If the measures ordered by the KNF are insufficient or in order to ensure the effectiveness of the recovery plan being implemented, or if the implementation of the recovery plan is insufficient to remedy the situation of the bank, the KNF may decide to establish a conservatorship in respect of the Bank. Upon the establishment of a conservatorship, the supervisory board shall be suspended, whereas the management board members of the bank shall be removed by operation of law and previously established proxy and powers of attorney shall expire.

There can be no assurance that the Bank, especially in the event of a deterioration of the results of its operations or high regulatory burdens, may not be required to implement a recovery plan. Such risk would increase if the banks in Poland were forced to convert Swiss franc mortgage loans into zloty at preferential rates. Any failure of the Bank to correctly implement the recovery plan may have an adverse effect on the Group's business, financial condition and results of operations and on the Group's ability to implement its strategies as set forth in this Base Prospectus.

The impact of competition and anti-monopoly legislation

The Group's business must comply with regulations regarding competition, consumer protection and public aid. Under the Polish Antimonopoly Act, the President of the OCCP has the right to issue a decision stating that a business entity is participating in an arrangement which aims at or results in the limitation of competition. Moreover, the President of the OCCP may accuse business entities having a dominant position in the Polish market of an abuse of such position. Having determined that such practice has taken place, the President of the OCCP may order the discontinuance of such practices and may also impose a fine. The President of the OCCP also has the authority to declare that the provisions of agreements, as well as the tariffs and fees used by a particular business, violate the collective interest of consumers and, as a consequence, it may order the discontinuance of such agreements and impose a fine on the business.

If there is any suspicion of a breach which could impact trade between Member States, the Treaty establishing the European Community and other community legislation apply directly, while the authority competent to enforce them is the European Commission or the President of the OCCP. Within the scope of their competencies, the European Commission or the President of the OCCP may come to the conclusion that a specific action of a business entity constitutes a prohibited action that restricts competition and is an abuse of market position or breach of common consumer interests, and it may prohibit any such practices or apply other sanctions provided for in the community law regulations or the Polish Antimonopoly Act, which may adversely affect the business, financial condition and results of operations of the Group.

Moreover, acquisitions by the Bank of businesses operating in the financial services and banking sectors may require consents for concentration issued by Polish authorities, foreign competition authorities or financial sector regulatory authorities. The grant of any such consent depends, among other things, on the evaluation of the consequences that the relevant concentration may have on the competition in the market. No assurance can be given that any such consents would be granted. If consent for concentration is refused for a particular acquisition, it will prevent the completion of such acquisition and would restrict the Group's ability to grow.

The Act amending the Act on Protection of Competition and Consumers, which entered into force on 17 April 2016, gives the President of the OCCP certain additional powers. In particular, the President of the OCCP is permitted to issue administrative decisions concerning prohibited clauses in contract templates and ban their further use. The amendment to the Act on Protection of Competition and Consumers introduces a new prohibition on breaching the collective interest of consumers by mis-selling of financial services. The Group has implemented appropriate procedures to mitigate the risk associated with offering financial services that are inadequate for a particular customer. However, as the concept of mis-selling is broad, there is a risk that the OCCP can initiate proceedings against the Bank if it finds that financial services are inadequate for a particular customer.

On 21 April 2017, the Polish Parliament adopted the act on damages actions on the basis of a breach of antitrust rules which allows for the Bank to be sued directly by any person who suffered from the Bank's breach of the antitrust rules. Although such damages actions could be brought before based on the general rules indicated in the Polish civil law, its adoption and the entry into force has modified the existing general rules for such damages actions in a way to make them in general more favourable in the interest of the customer and/or other business partners of a given entity who breached antitrust rules. The entry into force of this law has been widely commented in Poland as a factor which may result in the increase of the damages actions on the basis of a breach of antitrust rules that could be brought against a given entity by its customers and/or other business partners.

The current developments regarding the strengthening of consumer rights might lead to further obligations being imposed on the Group, which, in the case of a failure to comply with such rules, could adversely affect the business, financial condition and results of operations of the Group.

Factors beyond the Group's control could adversely affect the Group's business, financial condition and results of operations

Factors beyond the Group's control, such as catastrophic events, terrorist attacks, natural disasters, acts of war or hostilities, pandemic diseases and other similar unpredictable events, and responses to those events or acts, may create economic and/or political uncertainties, which could have a negative impact on the Polish economy and, more specifically, could impede the Group's business and result in substantial losses. Such events or acts and losses resulting therefrom are difficult to predict and may relate to property, financial assets or key employees.

If the Group's plans do not fully address these events, or if its plans cannot be implemented under the circumstances, such losses may increase. Unforeseen events can also lead to additional operating costs, such as higher insurance premiums and the implementation of back-up systems. Insurance coverage for certain risks may also be unavailable, thus increasing the risk to the Group. The Group's inability to effectively

manage these risks could have an adverse effect on the Group's business, financial condition and results of operations.

Risks relating to the Group and its relationship with Commerzbank and its affiliates (the Commerzbank Group)

Commerzbank holds corporate control over the Bank

As at the date of this Base Prospectus, Commerzbank held 29,352,897 shares, representing 69.37 per cent. of the Bank's share capital which gave Commerzbank the right to exercise 69.37 per cent. of the total number of votes at any General Shareholders' Meeting.

Commerzbank is able to exercise corporate control over the Bank due to its share in the capital of the Bank and in the total number of votes at the General Meeting. In particular, Commerzbank has majority voting power at the General Meeting, and thus has a decisive voice regarding major corporate actions, such as the amendment of the Articles of Association, issuance of new shares of the Bank, decrease of the Bank's share capital, issuance of convertible bonds, payment of dividends and other actions which according to the Polish Code of Commercial Companies and Partnerships of 15 September 2000 (as amended) (**KSH**) require a qualified or simple majority vote at a General Shareholders' Meeting for approval. In addition, Commerzbank holds a sufficient number of votes to appoint a majority of the members of the Supervisory Board, which in turn appoints the members of the Management Board. As a result, Commerzbank has the ability to exercise considerable control over the Bank's operations.

If the interests of Commerzbank and the interests of the Group conflict, this could have an adverse effect on the business, financial condition and results of operations of the Group.

The Bank's shareholders are not required to support the Bank

The Bank is an independent entity from its principal shareholder (Commerzbank) and, as indicated above, has historically benefited from its support in different areas. Commerzbank's past efforts do not necessarily mean that it is obliged to provide support and finance to the Group in the future, in particular to subscribe for newly-issued shares in any future equity offering or ensure debt financing for the Group. If the Bank needs further equity injections or debt financing and/or a significant decrease of Commerzbank's shareholding in the Bank in the future were to occur, a lack of financial support from Commerzbank may have a negative reputational effect on the Group. A loss of control over the Bank by Commerzbank in the future may lead to negative consequences resulting from the agreements based on which the Group obtained debt financing, in particular the potential necessity to repay such debt financing earlier. Moreover, the Bank's issuer default ratings by Standard & Poor's and Fitch incorporate uplift driven by parental support, which would be removed if Commerzbank lost control over the Bank.

The occurrence of any of these situations may have a material adverse effect on the Group's business, financial condition or results of operations.

Potential conflicts of interest

The Bank is not aware of any conflicts of interest at the date of this Base Prospectus which would be material for the issue and subscription of the Notes. It is not excluded that potential conflict of interest between the Issuer and Commerzbank as Arranger or Dealer (since the Issuer is part of the Commerzbank Group) could affect the Noteholders.

Nevertheless the following potential conflicts of interest could exist in connection with any issue of Notes in the context of this Programme: certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Group in the ordinary course of business.

Dispute resolution risk

Litigation, administrative or other proceedings or actions may adversely affect the Group's business, financial condition and results of operations

Due to the nature of its business, the Group may be exposed to a risk of court, administrative or other proceedings being instituted against it by customers, employees, shareholders and other persons in connection with its business.

The outcome of litigation or similar proceedings or actions is difficult to assess or quantify. Plaintiffs in these types of actions against the Bank or the Group's companies may seek recovery in large or indeterminate amounts or other remedies that may affect the Bank's or the Group companies' ability to conduct their business, and the magnitude of the potential losses relating to such actions may remain unknown for substantial periods of time. The cost to defend future actions may be significant. There may also be adverse publicity associated with litigation against the particular Group's companies that could damage the reputation of the Group or the particular Group's companies, regardless of whether the allegations are valid or whether the Group is ultimately found liable.

As a result, litigation, administrative and other proceedings may adversely affect the Group's business, financial condition and results of operations.

Since July 2010, changes have been introduced into Polish law making it possible to bring class action lawsuits. The ability of customers to group their lawsuits against a bank in a single class action significantly lowers the legal fees and other costs of such lawsuits, which may cause court actions against the Bank or other Group companies to become more frequent. There are currently two class action suits regarding the protection of consumers against the Bank.

No assurance can be given that the Bank will be successful in these proceedings. Moreover, as a consequence of the above class actions, a number of other clients of the Bank in similar circumstances to those described above may file claims for compensation.

See "*Business of the Group – Legal, Administrative and Arbitration Proceedings*".

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the programme

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so

at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/ Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including EURIBOR, LIBOR, PRIBOR and WIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks" (including EURIBOR, LIBOR, PRIBOR and WIBOR: (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the

"benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank *pari passu* without any preference among themselves and at least *pari passu* with all present and future, direct, unconditional, unsecured and subordinated obligations of the Issuer outstanding from time to time, save for certain obligations required to be preferred by Polish law. In the event of a bankruptcy, insolvency, liquidation, dissolution or winding up of the Issuer, and to the extent permitted by Polish law, the rights of a holder of such Subordinated Notes shall be subordinated in right of payment only to claims against the Issuer of all unsubordinated creditors of the Issuer, as more fully described in Condition 2.2.

Risks related to Notes generally

Set out below is a description of certain risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Issuer may, with the consent of the Issuer and Paying Agent, but, without the consent of Noteholders, (i) amend the Conditions of the Notes to correct a manifest error, cure any ambiguity or cure, correct or supplement any defective provision contained therein or (ii)

amend the Conditions of the Notes in any manner which is not materially prejudicial to the interests of holders of such Notes, or (iii) substitute for itself another company as principal debtor under any Notes in place of the Issuer, as more fully described in Condition 14 (*Meetings of Noteholders, Modification and Substitution*).

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or in other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial securities such as the Notes. Potential investors are advised not to rely upon the tax summary contained in this Base Prospectus and/or in the Final Terms or Pricing Supplement (if applicable) but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Base Prospectus and the additional tax sections, if any, contained in the relevant Final Terms or Pricing Supplement (if applicable).

The value of the Notes could be adversely affected by a change in English law, Polish law or administrative practice

The conditions of the Notes (except the provisions of Conditions 2.2 which will be governed by, and construed in accordance with, Polish law) are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law, Polish law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Risk of suspension, interruption or termination of trading in the Notes

The listing of the Notes may, depending on the rules applicable to the relevant stock exchange, be suspended or interrupted by the respective stock exchange or a competent regulatory authority for a number of reasons, including a violation of price limits, a breach of statutory provisions, the occurrence of operational problems involving the stock exchange or generally if deemed required in order to secure a functioning market or to safeguard the interests of investors. Furthermore, trading in the Notes may be terminated either upon the decision of the stock exchange or a regulatory authority or upon application by the Issuer.

Because the global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg (as defined above), investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more global Notes. Such global Notes will be deposited with a common depository or common safekeeper (as the case may be) for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the global Notes.

While the Notes are represented by one or more global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global Notes.

Holders of beneficial interests in the global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Clearing system risk of discontinuance

Secondary market sales of book-entry interests in the global Notes will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time.

Secondary market sales of interests in the global Notes may be conducted in accordance with the normal rules and operating procedures of the domestic clearing system, or interests in the global Notes may be transferred to a direct or indirect participant of another clearing system in accordance with the standard arrangements for such cross-market transfers. None of Euroclear, Clearstream, Luxembourg nor any other Clearing System is under any obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time.

Any such discontinuance could have a material adverse effect on an investor's holding of Notes or his ability to resell the Notes in the secondary market.

The Notes may be de-listed, which may materially affect an investor's ability to resell

Any Notes that are listed on any listing authority, stock exchange or quotation system may be de-listed. If any Notes are delisted, the Issuer is obliged to endeavour promptly to obtain an alternative listing. Although no assurance is made as to the liquidity of the Notes as a result of listing on any listing authority, stock exchange or quotation system, delisting the Notes may have a material adverse effect on a Noteholder's ability to resell the Notes in the secondary market.

Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes in bearer form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in "*Description of the Group – Ratings*" of this Base Prospectus

and further details may be disclosed in the Final Terms or the Pricing Supplement (in the case of Exempt Notes).

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

IMPORTANT INFORMATION RELATING TO NON-EXEMPT OFFERS OF NOTES

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a **Non-exempt Offer of Notes**.

If, in the context of a Non-exempt Offer, you are offered Notes by any entity, you should check that such entity has been given consent to use this Base Prospectus for the purposes of making its offer before agreeing to purchase any Notes. The following entities have consent to use this Base Prospectus in connection with a Non-exempt Offer of Notes:

- any entity named as a Dealer or Manager in the applicable Final Terms;
- any financial intermediary specified in the applicable Final Terms as having been granted specific consent to use the Base Prospectus;
- any financial intermediary named on the Issuer's website (<https://www.mbank.pl/en/home-page>) as an Authorised Offeror in respect of the Non-exempt Offer (if that financial intermediary has been appointed after the date of the applicable Final Terms); and
- if Part B of the applicable Final Terms specifies "General Consent" as "Applicable", any financial intermediary authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2014/65/EU) who has published the Acceptance Statement (set out below) on its website.

The entities listed above have been given consent to use the Base Prospectus only during the Offer Period specified in the applicable Final Terms and only in the Public Offer Jurisdictions specified in the applicable Final Terms. Other than as set out above, the Issuer has not authorised the making of any Non-exempt Offer by any person and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Notes.

Please see below for certain important legal information relating to Non-exempt Offers.

Restrictions on Non-exempt Offers of Notes in relevant Member States

This Base Prospectus has been prepared on a basis that permits Non-exempt Offers of Notes in Germany, the Netherlands, Austria, Luxembourg, the United Kingdom and Poland as specified in the applicable Final Terms (each specified Member State a **Non-exempt Offer Jurisdiction** and together the **Non-exempt Offer Jurisdictions**). Any person making or intending to make a Non-exempt Offer of Notes on the basis of this Base Prospectus must do so only with the Issuer's consent to the use of this Base Prospectus as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" below and provided such person complies with the conditions attached to that consent.

Save as provided above, none of the Issuer and any Dealer have authorised, nor do they authorise, the making of any Non-exempt Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of a Non-exempt Offer of Notes, the Issuer accepts responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Base Prospectus in relation to any person (an **Investor**) who purchases any Notes in a Non-exempt Offer of Notes made by a Dealer or an Authorised Offeror in that connection (as defined below), where that offer is made during the Offer Period specified in the applicable

Final Terms and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of the Issuer or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer of Notes and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Except in the circumstances set out in the following paragraphs, none of the Issuer and, for the avoidance of doubt, any Dealer has authorised the making of any Non-exempt Offer of Notes by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Notes. Any Non-exempt Offer of Notes made without the consent of the Issuer is unauthorised and none of the Issuer and, for the avoidance of doubt, any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.

If, in the context of a Non-exempt Offer of Notes, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of the relevant Non-exempt Offer of Notes and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents, it should take legal advice.

Consent

In connection with each Tranche of Notes and subject to the conditions set out below under "*Common Conditions to Consent*":

Specific consent

- (a) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Notes during the relevant Offer Period stated in the applicable Final Terms by:
 - (i) the relevant Dealer(s) or Manager(s) stated in the applicable Final Terms;
 - (ii) any financial intermediaries specified in the applicable Final Terms; and
 - (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website <https://www.mbank.pl/en/home-page> and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer; and

General consent

- (b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Notes during the relevant Offer Period stated in the applicable Final Terms by any other financial intermediary which satisfies the following conditions:
 - (i) it is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2014/65/EU); and

- (ii) it accepts the Issuer's offer to grant consent to the use of this Base Prospectus by publishing on its website the following statement (with the information in square brackets duly completed with the relevant information) (the **Acceptance Statement**):

*"We, [insert legal name of financial intermediary], refer to the offer of the [insert title of relevant Notes] (the **Notes**) described in the Final Terms dated [insert date] (the **Final Terms**) published by [] (the **Issuer**). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and we are using the Base Prospectus accordingly. "*

The **Authorised Offeror Terms**, being the terms to which the relevant financial intermediary agrees in connection with using this Base Prospectus, are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:
- I. act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the **Rules**) from time to time, including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor;
 - II. comply with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply as if it were a relevant Dealer and consider the relevant manufacturer's target market assessment and distribution channels identified under the "MiFID II product governance" legend set out in the applicable Final Terms;
 - III. ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
 - IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
 - V. comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
 - VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer;

- VII. ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- VIII. immediately inform the Issuer and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
- IX. comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements or other Authorised Offer or Terms relevant to the Non-exempt Offer as specified in the applicable Final Terms;
- X. make available to each potential Investor in the Notes this Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus and the applicable Final Terms;
- XI. if it conveys or publishes any communication (other than this Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Non-exempt Offer of Notes) in connection with the relevant Non-exempt Offer of Notes, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes on the basis set out in this Base Prospectus;
- XII. ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of the Issuer or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- XIII. co-operate with the Issuer and the relevant Dealer in providing relevant information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) and such further assistance as is reasonably requested upon written request from the Issuer or the relevant Dealer in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process. For this purpose, relevant information is information that is available to or can be acquired by the relevant financial intermediary:
 - (i) in connection with any request or investigation by any regulator in relation to the Notes, the Issuer or the relevant Dealer; and/or
 - (ii) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer and/or the relevant Dealer or another

Authorised Offeror including, without limitation, complaints as defined in the Rules; and/or

- (iii) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or as to allow the Issuer or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements;
- XIV. during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Notes for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer; and
- XV. either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- (B) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer; and
- (C) agrees and accepts that:
 - I. the contract between the Issuer and the relevant financial intermediary formed upon acceptance by the relevant financial intermediary of the Issuer's offer to use this Base Prospectus with its consent in connection with the relevant Non-exempt Offer (the **Authorised Offeror Contract**), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
 - II. the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a **Dispute**) and the Issuer and the relevant financial intermediary submit to the exclusive jurisdiction of the English courts;

- III. for the purposes of (C)(II), each of the Issuer and the relevant financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute; and
- IV. each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The financial intermediaries referred to in paragraphs (a)(ii), (a)(iii) and (b) above are together the **Authorised Offerors** and each an **Authorised Offeror**.

Any Authorised Offeror falling within paragraph (b) above who meets the conditions set out in paragraph (b) and the other conditions stated in "Common Conditions to Consent" below and who wishes to use this Base Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.

Common Conditions to Consent

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Non-exempt Offer are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms; and
- (ii) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in Germany, The Netherlands, Austria, Luxembourg, the United Kingdom and Poland, as specified in the applicable Final Terms.

The consent referred to above relates to Offer Periods (if any) occurring within 12 months from the date of this Base Prospectus.

The only relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any relevant Member States are so specified) as indicated in (ii) above will be Germany, The Netherlands, Austria, Luxembourg, the United Kingdom and Poland, and accordingly each Tranche of Notes may only be offered to Investors as part of a Non-exempt Offer in Germany, The Netherlands, Austria, Luxembourg, the United Kingdom and Poland, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF

SUCH OFFER. NONE OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from and is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes other than Exempt Notes, a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of the Prospectus Regulation.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer:	mBank S.A.
Description:	Euro Medium Term Note Programme
Arranger:	Commerzbank Aktiengesellschaft
Dealers:	Barclays Bank PLC Commerzbank Aktiengesellschaft Credit Suisse Securities (Europe) Limited DZ BANK AG Deutsche Zentral- Genossenschaftsbank, Frankfurt am Main Erste Group Bank AG HSBC Bank plc J.P. Morgan Securities plc UBS Limited UniCredit Bank AG and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") including the following restrictions applicable at the date of this Base Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (**FSMA**)

unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".

Issuing and Principal Paying Agent:

Deutsche Bank Aktiengesellschaft

Luxembourg Listing Agent:

Deutsche Bank Luxembourg S.A.

Distribution:

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies:

Notes may be denominated in any currency or currencies agreed between the Issuer and the Dealers, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Maturities:

The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price:

Notes will be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of the Notes:

The Notes will be issued in bearer form as described in "*Form of the Notes*".

Fixed Rate Notes:

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Exempt Notes:

The Issuer may issue Exempt Notes which are Notes for which no Prospectus is required to be published under the Prospectus Directive. The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption:

The applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or, in the case of Unsubordinated Notes, following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Notes having a maturity of less than one year are/may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be

such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Certain Conditions of the Notes:

See Element C.8 of "*Summary of the Programme*" for a summary description of certain terms and conditions applicable to all Notes issued under the Programme.

Rating:

See Element B.17 of "*Summary of the Programme*".

Listing and Admission to Trading:

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including Italy and the United Kingdom) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

DOCUMENTS INCORPORATED BY REFERENCE

The documents set out below that are incorporated by reference in this Base Prospectus are, where indicated, free translations into English from the original Polish language documents. To the extent that there are any inconsistencies between the originals and the translations, the originals shall prevail. The Issuer takes responsibility for such translations. The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the following pages of the unaudited condensed consolidated financial statements of the Group for the three-month period ended 31 March 2018 (the **Q1 2018 Consolidated Financial Statements**) prepared in accordance with the International Financial Reporting Standards adopted by the European Union (**IFRS**):
 - (a) Selected financial data (page 5)
 - (b) condensed consolidated income statement (page 25);
 - (c) condensed consolidated statement of comprehensive income (page 26);
 - (d) condensed consolidated statement of financial position (page 27);
 - (e) condensed consolidated statement of changes in equity (page 28);
 - (f) condensed consolidated statement of cash flows (page 29); and
 - (g) explanatory notes to the consolidated financial statements (pages 35 to 93); and
 - (h) selected explanatory information (pages 93 to 103).

2. the audited consolidated financial statements of the Group for the year ended 31 December 2017 prepared in accordance with IFRS (the **2017 Consolidated Financial Statements**), audited by PricewaterhouseCoopers sp. z o.o. included in the consolidated annual report of the Group for the year ended 31 December 2017, which constitute a free translation from the Polish version into the English language:
 - (a) consolidated income statement (page 5);
 - (b) consolidated statement of comprehensive income (page 6);
 - (c) consolidated statement of financial position (page 7);
 - (d) consolidated statement of changes in equity (page 8);
 - (e) consolidated statement of cash flows (page 9); and
 - (f) explanatory notes to the consolidated financial statements (pages 10 to 164).

- Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation;

3. the separate independent registered auditor's opinion on the 2017 Consolidated Financial Statements (pages 1 to 10) which constitutes a free translation from the Polish version into the English language;

4. the audited consolidated financial statements of the Group for the year ended 31 December 2016 prepared in accordance with the IFRS (the **2016 Consolidated Financial Statements**), audited by PricewaterhouseCoopers sp. z o.o. included in the consolidated annual report of the Group for the year ended 31 December 2016, which constitute a free translation from the Polish version into the English language:
- (a) consolidated income statement (page 5);
 - (b) consolidated statement of comprehensive income (page 6);
 - (c) consolidated statement of financial position (page 7);
 - (d) consolidated statement of changes in equity (page 8);
 - (e) consolidated statement of cash flows (page 9); and
 - (f) explanatory notes to the consolidated financial statements (pages 10 to 173).

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation;

5. the separate independent registered auditor's opinion on the 2016 Consolidated Financial Statements (pages 1 to 3) which constitutes a free translation from the Polish version into the English language;
6. the audited consolidated financial statements of the Group for the year ended 31 December 2015 prepared in accordance with IFRS (the **2015 Consolidated Financial Statements**), audited by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. included in the consolidated annual report of the Group for the year ended 31 December 2015, which constitute a free translation from the Polish version into the English language:
- (a) consolidated income statement (page 5);
 - (b) consolidated statement of comprehensive income (page 6);
 - (c) consolidated statement of financial position (page 7);
 - (d) consolidated statement of changes in equity (page 8);
 - (e) consolidated statement of cash flows (page 9); and
 - (f) explanatory notes to the consolidated financial statements (pages 10 to 162).

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation;

7. the separate independent registered auditor's opinion on the 2015 Consolidated Financial Statements (pages 1 and 2) which constitutes a free translation from the Polish version into the English language;
8. the audited consolidated financial statements of the Group for the year ended 31 December 2014 prepared in accordance with IFRS (the **2014 Consolidated Financial Statements**), included in the consolidated annual report of the Group for the year ended 31 December 2014, which constitute a

free translation from the Polish version into the English language audited by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.:

- (a) consolidated income statement (page 5);
- (b) consolidated statement of comprehensive income (page 6);
- (c) consolidated statement of financial position (page 7);
- (d) consolidated statement of changes in equity (page 8);
- (e) consolidated statement of cash flows (page 9); and
- (f) explanatory notes to the consolidated financial statements (pages 10 to 157).

This information is provided for information purposes only;

- 9. the separate independent registered auditor's opinion on the 2014 Consolidated Financial Statements (pages 1 to 2) which constitutes a free translation from the Polish version into the English language. This information is provided for information purposes only;
- 10. the audited consolidated financial statements of the Group for the year ended 31 December 2013 prepared in accordance with IFRS (the **2013 Consolidated Financial Statements** and, together with the Q1 2018 Consolidated Financial Statements, the 2017 Consolidated Financial Statements, the 2016 Consolidated Financial Statements, the 2015 Consolidated Financial Statements and the 2014 Consolidated Financial Statements, the **Consolidated Financial Statements**), included in the consolidated annual report of the Group for the year ended 31 December 2013, which constitute a free translation from the Polish version into the English language audited by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.:

- (a) consolidated income statement (page 5);
- (b) consolidated statement of comprehensive income (page 6);
- (c) consolidated statement of financial position (page 7);
- (d) consolidated statement of changes in equity (page 8);
- (e) consolidated statement of cash flows (page 9); and
- (f) explanatory notes to the consolidated financial statements (pages 10 to 130).

This information is provided for information purposes only; and

- 11. the separate independent registered auditor's opinion on the 2013 Consolidated Financial Statements (pages 1 to 2) which constitutes a free translation from the Polish version into the English language. This information is provided for information purposes only.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for the investor or covered in another part of the Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable,

be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London and Luxembourg. The documents incorporated by reference in this Base Prospectus will also be available from the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

Each Tranche of Notes will be in bearer form and initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note** and, together with a Temporary Global Note, each a **Global Note**) which, in either case, will:

- (a) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear and Clearstream, Luxembourg; and
- (b) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than Temporary Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms (or Pricing Supplement in the case of Exempt Notes):

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act, **Regulation S**) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note, then the Global Note will become void at 8.00 p.m. (London time) on the day immediately following such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated on or about 17 May 2018 and executed by the Issuer.

APPLICABLE FINAL TERMS

NOTES WITH A DENOMINATION OF LESS THAN €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY), OTHER THAN EXEMPT NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of less than €100,000 (or its equivalent in any other currency) issued under the Programme.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]¹²

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[MiFID II product governance / Retail investors, professional investors and ECPs – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)] [MiFID II]; **EITHER** [and (ii) all channels for distribution of the Notes are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and] [non-advised sales] [and pure execution services] [, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].]

[Date]

¹² Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

mBank S.A.

Legal entity identifier (LEI): 259400DZXF7UJKKZAY35

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000**

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated 17 May 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. A summary of the Notes (which comprises the summary in the Base Prospectus as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (*in which case the subparagraphs of the paragraphs which are not applicable can be deleted*). Italics denote directions for completing the Final Terms.)

(When adding any information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

1. (a) Series Number: []
- (b) Tranche Number: []
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*provide issue amount/ISIN/maturity date/issue date of earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]][Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5. (a) Specified Denominations: []

- (b) Calculation Amount: []
(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
6. (a) Issue Date: []
- (b) Interest Commencement Date: [[]/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
7. Maturity Date: *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month]]*
(If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency)
8. Interest Basis: [[] per cent. Fixed Rate]
 [[[] month [LIBOR/EURIBOR/WIBOR/PRIBOR]]
 +/- [] per cent.
 Floating Rate]
 [Zero Coupon]
 (see paragraph [13]/[14]/[15] below)
9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at par on the Maturity Date
10. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [13]/[14] applies and for the period from (and including) [date] to (but excluding) the Maturity Date, paragraph [13]/[14] applies][Not Applicable]
11. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(see paragraph [17]/[18] below)]
 [Not Applicable]
12. (a) Status of the Notes: [Unsubordinated/Subordinated]
- (b) [Date of [Board] approval for issuance of Notes obtained: []
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Rate(s) of Interest: [[] per cent. per annum payable in arrear on each Interest Payment Date]
(If payable other than annually, consider amending Condition 4)
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]
(Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year] [Not Applicable]

(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

14. Floating Rate Note Provisions: [Applicable/Not Applicable][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates: []
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]¹³
- (e) Party responsible for calculating the Rate of Interest and Interest [] [Not Applicable]

¹³ Confirm with Agent whether it will act as Calculation Agent. See Clause 8.1(a) of the Agency Agreement.

Amount (if not the Agent):

- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [] month [LIBOR/EURIBOR/PRIBOR/WIBOR]
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, second Prague business day prior to the start of each Interest Period if PRIBOR, second Warsaw business day prior to the start of each Interest Period if WIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately. In the case of WIBOR, reference should be either to Reuters Screen WIBOR or WIBOR=.)
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]

[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]
(See Condition 4 for alternatives)

15. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

16. Notice periods for Condition 6.2: Minimum period: [30] days
Maximum period: [60] days
17. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
18. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s) or Put Period(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount

(c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

19. Final Redemption Amount: [Par], [[] per Calculation Amount]

20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time at the request of the Issuer options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

(b) New Global Note: [Yes][No]

22. Additional Financial Centre(s): [Not Applicable/[]]
(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purpose of calculating the amount of interest to which sub-paragraph 15(c) relates)

23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **mBank S.A.:**

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** [Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the [Official List of the Luxembourg Stock Exchange] and admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the [Official List of the Luxembourg Stock Exchange] and admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] with effect from [].]

[[The [*name of original Series of Notes*] issued on [*date of issue of original Series of Notes*] listed on the [Official List of the Luxembourg Stock Exchange] and were admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] on [].] (*Include where documenting a fungible issue*)

2. RATINGS

Ratings:

[The Unsubordinated Notes to be issued [have been]/[are expected to be] rated [] by [*insert the legal name of the relevant credit rating agency entity(ies)*]]

[Not Applicable]

[Each of [*defined terms*] is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer] and any on-lending arrangement of the net proceeds of the issue of the Notes between the Issuer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) [Reasons for the offer: []]

(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

(ii) Estimated net proceeds: []

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) Estimated total expenses: []

(Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".)

5. YIELD (Fixed Rate Notes Only)

Indication of yield: []/[Not Applicable].

6. HISTORIC INTEREST RATES (Floating Rate Notes Only)

[Details of historic [LIBOR/EURIBOR/PRIBOR/WIBOR] rates and their volatility can be obtained from [Reuters].]/[Not Applicable.]

7. OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

(iii) CFI: [[]/Not Applicable]

(iv) FISN: [[]/Not Applicable]

(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")

(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): []

(viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names and addresses of Managers and underwriting commitments/quotas (material features): [Not Applicable/*give names, addresses and underwriting commitments*]

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (iii) Date of [Subscription] Agreement: []
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/[]]
- (v) If non-syndicated, name and address of relevant Dealer: [Not Applicable/[]]
- (vi) Total commission and concession: [] per cent. of the Aggregate Nominal Amount
- (vii) U.S. Selling Restrictions: [Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]]
- (viii) Italian Selling Restriction: [No sales into Italy] [Sales into Italy subject to certain requirements] [Not Applicable]

- (ix) Non-exempt Offer: [Applicable][Not Applicable] (*if not applicable, delete the remaining placeholders of this paragraph (ix) and also paragraph 9 below*)
- Non-exempt Offer Jurisdictions: [Germany,] [The Netherlands,] [Austria,] [Luxembourg,] [the United Kingdom] and/or [Poland] and [*specify each other relevant Member State in which the particular Tranche of Notes can be offered*]
- (*Specify relevant Member State(s) where the Issuer intends to make Non-exempt Offers (where the Base Prospectus lists the Non-exempt Offer Jurisdictions select from that list), which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*)
- Offer Period: [Specify date] until [*specify date or a formula such as "the Issue Date" or "the date which falls [] Business Days thereafter"*] (the **Offer Period**)
- Financial Intermediaries granted specific consent to use the Base Prospectus in accordance with the Conditions in it: [*Insert names and addresses of financial intermediaries receiving consent (specific consent)*]
- General consent: [Not Applicable]
[Applicable]
- Other Authorised Offeror Terms: [Not Applicable]
[[*Add here any other Authorised Offeror Terms (Authorised Offeror Terms should only be included here where General Consent is applicable.)*]]
- (*N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.*)
- (x) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*

9. TERMS AND CONDITIONS OF THE OFFER

[Not Applicable]

(Delete whole section if sub-paragraph 8(ix) above is specified to be Not Applicable because there is no Non-exempt Offer)

- | | | |
|--------|--|---|
| (i) | Offer Price: | [Issue Price/Not Applicable/specify] |
| (ii) | Conditions to which the offer is subject: | [Not Applicable/give details] |
| (iii) | Description of the application process: | [Not Applicable/[]] |
| (iv) | Details of the minimum and/or maximum amount of application: | [Not Applicable/[]] |
| (v) | Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not Applicable/[]] |
| (vi) | Details of the method and time limits for paying up and delivering the Notes: | [Not Applicable/[]] |
| (vii) | Manner in and date on which results of the offer are to be made public: | [Not Applicable/[]] |
| (viii) | Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not Applicable/[]] |
| (ix) | Whether tranche(s) have been reserved for certain countries: | [Not Applicable/[]] |
| (x) | Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: | [Not Applicable/[]] |
| (xi) | Amount of any expenses and taxes specifically charged to the subscriber or purchaser: | [Not Applicable/[]] |
| (xii) | Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: | [The Authorised Offerors identified in paragraph [8] above and identifiable from the Base Prospectus/None/give details] |
| (xiii) | [Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through | [None/[]] |

bid and offer rates and description of
the main terms of their
commitment:]

ANNEX

ISSUE-SPECIFIC SUMMARY OF THE NOTES

[]

NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE, OTHER THAN EXEMPT NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.

¹**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]**[MiFID II]**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[MiFID II product governance / Retail investors, professional investors and ECPs – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]**[MiFID II]**; **EITHER** [and (ii) all channels for distribution of the Notes are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[, / and] portfolio management[, / and] non-advised sales]**[and pure execution services]** [, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].]

[Date]

¹ Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

mBank S.A.

Legal entity identifier (LEI): 259400DZXF7UJKKZAY35

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000**

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated 17 May 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. A summary of the Notes (which comprises the summary in the Base Prospectus as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.)

(When adding any information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

1. (a) Series Number: []
(b) Tranche Number: []
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]][Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
(a) Series: []
(b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5. (a) Specified Denominations: []

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))

(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")

(b) Calculation Amount: []

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

6. (a) Issue Date: []

(b) Interest Commencement Date: [[]/Issue Date/Not Applicable]

(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)

7. Maturity Date: *[Fixed rate – specify date/
Floating rate – Interest Payment Date falling in or nearest to [specify month]]
(If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.)*

8. Interest Basis: [[] per cent. Fixed Rate]
[[[] month [LIBOR/EURIBOR/PRIBOR/WIBOR]]
+/- [] per cent. Floating Rate]
[Zero Coupon]
(see paragraph [13]/[14]/[15] below)

9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at par on the Maturity Date

10. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [13]/[14] applies and for the period from (and including) [date] to (but excluding) the Maturity Date, paragraph [13]/[14] applies][Not Applicable]

11. Put/Call Options: [Investor Put]

[Issuer Call]
[(see paragraph [17]/[18] below)]
[Not Applicable]

12. (a) Status of the Notes: [Unsubordinated/Subordinated]
- (b) [Date of [Board] approval for issuance of Notes obtained: []]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date
(N.B. Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year] [Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA)). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
14. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]²
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [] [Not Applicable]
- (f) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate: [] month [LIBOR/EURIBOR/PRIBOR/WIBOR]
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, second Prague business day prior to the start of each Interest Period if PRIBOR, second Warsaw business day prior to the start of each Interest Period if WIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately. In the case of WIBOR, reference should be either to Reuters Screen WIBOR or WIBOR=.)
- (g) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated

² Confirm with Agent whether it will act as Calculation Agent. See Clause 8.1(a) of the Agency Agreement.

using Linear Interpolation (*specify for each short or long interest period*)

- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]
(See Condition 4 for alternatives)

- 15. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

- 16. Notice periods for Condition 6.2: Minimum period: [30] days
Maximum period: [60] days
- 17. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

18. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s) or Put Period(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
(NB: The Optional Redemption Amount cannot be other than a specified amount per Calculation Amount)
- (c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
19. Final Redemption Amount: [Par], [[] per Calculation Amount]
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time at the request of the Issuer options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not*

permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)]

(b) New Global Note: [Yes][No]

22. Additional Financial Centre(s): [Not Applicable/[]]
(Note that this paragraph relates to the date of payment and not Interest Period end dates to which subparagraph 14(c) relates)

23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

THIRD PARTY INFORMATION

[[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **mBank S.A.:**

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the [Official List of the Luxembourg Stock Exchange] and admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the [Official List of the Luxembourg Stock Exchange] and admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] with effect from [].]

[The [*name of original Series of Notes*] issued on [*date of issue of original Series of Notes*] were listed on the [Official List of the Luxembourg Stock Exchange] and admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] on [].] (*Include where documenting a fungible issue*)

- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings: [The Unsubordinated Notes to be issued [have been]/[are expected to be] rated [] by [*insert the legal name of the relevant credit rating agency entity(ies)*].]

[Not Applicable]

[Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer] and any on-lending arrangement of the net proceeds of the issue of the Notes between the Issuer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4. YIELD (*Fixed Rate Notes Only*)

Indication of yield: []/[Not Applicable].

5. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

[Details of historic [LIBOR/EURIBOR/PRIBOR/WIBOR] rates and volatility can be obtained from [Reuters].]/[Not Applicable.]

6. OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

(iii) CFI: [[]/Not Applicable]

(iv) FISN: []/Not Applicable]

(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")

(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): []

(viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that

the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of [Subscription] Agreement: []
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]]
- (vii) Italian Selling Restriction: [No sales into Italy] [Sales into Italy subject to certain requirements] [Not Applicable]
- (viii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)

APPLICABLE PRICING SUPPLEMENT

EXEMPT NOTES OF ANY DENOMINATION

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) or a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]³

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[MiFID II product governance / Retail investors, professional investors and ECPs – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)] [MiFID II]; **EITHER** [and (ii) all channels for distribution of the Notes are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and] [non-advised sales] [and pure execution services] [, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].]

³ Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.

[Date]

mBank S.A.

Legal entity identifier (LEI): 259400DZXF7UJKKZAY35

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated [date] [as supplemented by the supplement[s] dated [date[s]]] (the **Base Prospectus**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.)

1. (a) Series Number: []
- (b) Tranche Number: []
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]][Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5. (a) Specified Denominations: []

- (b) Calculation Amount: []
(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
6. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
7. Maturity Date: [Fixed rate – specify date/
 Floating rate – Interest Payment Date falling in or nearest to [specify month]]
(If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.)
8. Interest Basis: [[] per cent. Fixed Rate]
 [[[] month [LIBOR/EURIBOR/PRIBOR/WIBOR]]]
 [+/- [] per cent. Floating Rate]
 [Zero Coupon]
 [specify other]
 (further particulars specified below)
9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at par [on the Maturity Date]/[]
10. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [13]/[14] applies and for the period from (but including) [date] to (but excluding) the Maturity Date, paragraph [13]/[14] applies] [Not Applicable]
11. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
 [Not Applicable]
12. (a) Status of the Notes: [Unsubordinated/Subordinated]
- (b) [Date of [Board] approval for issuance of Notes obtained: []
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date
(Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [30/360][Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year][Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

14. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates: [], subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]⁴
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [] [Not Applicable]
- (f) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate: [] month [LIBOR/EURIBOR/PRIBOR/WIBOR].

⁴ Confirm with Agent whether it will act as Calculation Agent. See Clause 8.1(a) of the Agency Agreement.

(Either LIBOR, EURIBOR, PRIBOR, WIBOR or other, although additional information is required if other, including fallback provisions in the Agency Agreement and the Conditions will need amending.)

- Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, second Prague business day prior to the start of each Interest Period if PRIBOR, second Warsaw business day prior to the start of each Interest Period if WIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

- Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately. In the case of WIBOR, reference should be either to Reuters Screen WIBOR or WIBOR=.)

- (g) ISDA Determination: [Applicable][Not Applicable]

- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*

- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum

(l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]
(See Condition 4 for alternatives)

(m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: []

15. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Accrual Yield: [] per cent. per annum

(b) Reference Price: []

(c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: []

(d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

16. Notice periods for Condition 6.2: Minimum period: [30] days
Maximum period: [60] days

17. Issuer Call: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount: [[] per Calculation Amount]

(c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

18. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s) or Put Period(s): []

(b) Optional Redemption Amount: [[] per Calculation Amount]

(c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

19. Final Redemption Amount: [Par,] [] per Calculation Amount

20. Early Redemption Amount payable on redemption for taxation reasons or on event of default [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]

(b) New Global Note: [Yes][No]

22. Additional Financial Centre(s): [Not Applicable/give details]
 (Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub-paragraphs 14(c) relates)
23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
24. Other terms or special conditions: [Not Applicable/give details]

THIRD PARTY INFORMATION

[[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **mBank S.A.:**

By:

By:

Duly authorised

Duly authorised

PART B – OTHER INFORMATION

1. **LISTING** [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [specify market – note this should not be a regulated market] with effect from [].] [Not Applicable]
2. **RATINGS**
- Ratings: [The Unsubordinated Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].
[Not Applicable]
3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**
- [Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]
4. **OPERATIONAL INFORMATION**
- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) CFI: [[]/Not Applicable]
- (iv) FISN: [[]/Not Applicable]
- (If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): []
- [(viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not

necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

5. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of [Subscription] Agreement: [*give date*]
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]]
- (vii) Italian Selling Restrictions: [No sales into Italy][Sales into Italy subject to certain requirements][Not Applicable]
- (viii) Additional selling restrictions: [Not Applicable/*give details*]
(*Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes*)
- (ix) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by mBank S.A. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated on or about 17 May 2018 and made between the Issuer and Deutsche Bank Aktiengesellschaft as issuing and principal paying agent (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents). The Agent and the Paying Agents are together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**) or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Note**), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference to the Conditions to **applicable Final Terms** shall be deemed to include a reference to **applicable Pricing Supplement** where relevant. The expression **Prospectus Directive** means Directive 2003/71/EU (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The applicable Final Terms will state in particular whether this Note is (i) an unsubordinated Note as described in Condition 2.1 (an **Unsubordinated Note**) or (ii) a subordinated Note as described in Condition 2.2 (a **Subordinated Note**).

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated on or about 17 May 2018 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary or common safekeeper as the case may be for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below) and by the Agent on behalf of the Noteholders and the Couponholders at its specified office.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Agent. If the Notes are to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu), save that, if this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**), specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may also be an Unsubordinated Note or a Subordinated Note as indicated in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. STATUS OF THE UNSUBORDINATED NOTES AND SUBORDINATION

The applicable Final Terms will indicate whether the Notes are Unsubordinated Notes or Subordinated Notes.

2.1 Status of the Unsubordinated Notes

The Unsubordinated Notes and any related Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2.2 Status of the Subordinated Notes

- (a) The Notes are subordinated notes of the Issuer and in the event of the bankruptcy of the Issuer, any claims in respect of the Notes shall be satisfied pursuant to the provisions of Article 440 section 2 point 6 of the Polish Bankruptcy Law dated 28 February 2003. The Subordinated Notes and (if not otherwise specified in the applicable Final Terms) the Coupons constitute unsecured subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for certain obligations required to be preferred by law) at least *pari passu* with all present and future, direct, unconditional unsecured and subordinated obligations of the Issuer outstanding from time to time.

- (b) The Subordinated Notes shall, in the event of a bankruptcy, insolvency, liquidation, dissolution or winding-up of the Issuer, and to the extent permitted by Polish law, be subordinated in right of payment only to claims against the Issuer of all unsubordinated creditors of the Issuer.
- (c) No holder of Subordinated Notes who shall be indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Subordinated Notes.

3. NEGATIVE PLEDGE

3.1 Negative Pledge

This Condition 3 is applicable only in relation to Unsubordinated Notes. So long as any Unsubordinated Note remains outstanding (as defined in the Agency Agreement) the Issuer will not create or have outstanding any Encumbrance upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant External Indebtedness unless the Issuer shall, in the case of the creation of an Encumbrance, before or at the same time, in any other case, promptly take any and all action necessary to ensure that such other Encumbrance or other arrangement (whether or not it includes the creation of an Encumbrance) is provided as shall be approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast) of holders; provided that, the above provisions shall not apply to: (x) any Encumbrance created on property, at the time of purchase thereof, solely as security for the payment of the purchase price thereof and provided that the Relevant External Indebtedness thereby secured does not exceed the purchase price thereof; or (y) any Encumbrance on or with respect to the assets, receivables, remittances or other payment rights of the Issuer which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the principal amount of the Relevant External Indebtedness secured by such Encumbrance is substantially limited to the proceeds received by the Issuer in exchange for the sale, assignment, pledge or other transfer of such assets, receivables, remittances or other payment rights.

3.2 Definitions

In these Conditions:

Encumbrance means any mortgage, pledge, lien, charge, assignment, hypothecation, security interest, title retention, preferential right or trust arrangement and any other security agreement or arrangement;

Relevant External Indebtedness means any Relevant Indebtedness which is payable in or by reference to a currency which is not the lawful currency for the time being of Poland; and

Relevant Indebtedness means: (A) any obligation with a maturity greater than one year for the payment of borrowed money which is in the form of, represented or evidenced by a note, bond, debenture or other security or a similar instrument, which is, or is capable of, being quoted, listed, dealt in or traded on a stock exchange or other recognised securities market; or (B) any present or future guarantee or indemnity in respect of any of the foregoing.

4. INTEREST

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.

4.1 Interest on Fixed Rate Notes

This Condition 4.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global; or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 4.1:

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number

of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

This Condition 4.2 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (b)(2) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the **Target 2 System**) is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the **TARGET 2 System** is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR, PRIBOR or WIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, Brussels time, in the case of EURIBOR, Prague time, in the case of PRIBOR, or Warsaw time, in the case of WIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent.

If the Agent cannot determine the Reference Rate as aforementioned, because the Screen Page is not published, or if the Agent cannot make such determination for any other reason, then the Reference Rate for the respective Interest Period shall be the arithmetic mean,

rounded, if necessary, to the nearest one hundred thousandth of a percentage point, (0.000005 per cent. being rounded upwards), determined by the Agent of the interest rates which five reference banks selected by the Agent in conjunction with the Issuer (the **Reference Banks**), quote to prime banks on the relevant Interest Determination Date for deposits in the Issue Currency for such Interest Period.

Should two or more of the Reference Banks provide the relevant quotation, the arithmetic mean shall be calculated as described above on the basis of the quotations supplied.

If less than two Reference Banks provide a quotation, then the Reference Rate for the respective Interest Period shall be determined as at the last preceding Interest Determination Date.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4.2(b)(ii), the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page, as described above, on the last day preceding the Interest Determination Date on which such quotation was offered (though if a Margin applies, plus or minus such Margin, substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is

no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified

Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

- (b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

5.2 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

5.3 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the **United States** (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the

case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.4 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;

- (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
 - (iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

5.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount (which shall be at least be equal the Nominal Amount of each Note) specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 Redemption for tax reasons

Subject to Condition 6.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any

change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

This Condition 6.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an **Issuer Call**. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not part) of the relevant Series of Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

6.4 Redemption at the option of the Noteholders (Investor Put)

This Condition 6.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 6.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date or within the

time period(s) specified in the applicable Final Terms (the **Put Period(s)**) (in the case of a Put Period such notice shall specify an Optional Redemption Date for the Notes) and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4 and instead to declare such Note forthwith due and payable pursuant to Condition 9.

6.5 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

Y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

6.6 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

6.7 Cancellation

All Notes purchased for cancellation will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(c) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case

may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in Poland; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.7).

As used herein:

- (i) **Tax Jurisdiction** means Poland, or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.3 or any Talon which would be void pursuant to Condition 5.3.

9. EVENTS OF DEFAULT

9.1 Events of Default relating to Unsubordinated Notes

This Condition 9.1 is applicable in relation to Unsubordinated Notes only.

The following events or circumstances (each an **Event of Default**) shall be events of default in relation to the Notes of any Series, namely:

- (a) **Non-payment**

The Issuer fails to pay any amount of interest or principal due in respect of the Notes of the relevant Series or any of them on the due date for payment thereof and such default continues for a period of five days on which banks are open for business in Poland; or

- (b) **Breach of Other Obligations**

If the Issuer fails to perform or observe any of its other material obligations under these Conditions or in respect of Notes of the relevant Series or the Agency Agreement and (except in any case where the failure is incapable of remedy when no continuation or notice

as if hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by any holder on the Issuer of notice requiring the same to be remedied; or

(c) **Cross Default**

If any Relevant Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of any event of default (however described) or the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Relevant Indebtedness on the due date therefor as extended by any applicable grace period or any security given by the Issuer or any of its Material Subsidiaries for any Relevant Indebtedness becomes enforceable or if default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Relevant Indebtedness of any other person, provided that no such event shall constitute an Event of Default unless the Relevant Indebtedness or other relative liability either alone or when aggregated with other Relevant Indebtedness and/or other liabilities relative to all (if any) other such event which shall have occurred and be continuing shall amount to at least €10,000,000 or its equivalent in any other currency; or

(d) **Dissolution**

If any order is made by any competent court or a resolution is passed for the dissolution of the Issuer or any of its Material Subsidiaries; or

(e) **Cessation of Business**

If the Issuer or any of its Material Subsidiaries ceases or announces an intention to cease to carry on the whole or a substantial part of its business, save for (i) the purposes of a reorganisation of the Issuer and its Subsidiaries taken as a whole on terms approved by an Extraordinary Resolution of the holders or (ii) as otherwise permitted by applicable law and provided that a Permitted Disposal shall not constitute a cessation of a substantial part of the business of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or if the Issuer is adjudicated or found bankrupt or insolvent; or

(f) **Insolvency/Winding-up**

if (i) the Issuer is insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; (ii) proceedings are initiated against any of the Issuer's Material Subsidiaries under any applicable bankruptcy, restructuring, recovery, liquidation, insolvency, composition, or other similar laws or a receiver, manager, administrator or other similar official is appointed in relation to any of the Issuer's Material Subsidiaries or, as the case may be, in relation to the whole or a part of the undertaking or assets of any of them, or any encumbrance takes possession of the whole or a part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and (ii) in any case is not discharged within 21 days; or if any of the Issuer's Material Subsidiaries initiates or consents to judicial or other proceedings relating to itself

under any applicable bankruptcy, restructuring, recovery, liquidation, insolvency, composition or other similar laws or makes a transfer of title or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(g) **Withdrawal of Banking Licence**

If the banking operations of the Issuer are suspended or the Issuer's banking licence is withdrawn pursuant to applicable Polish banking law.

9.2 Definitions

In these Conditions:

Auditors means the auditors from time to time of the Issuer, as the context may require, or, in the event of any of them being unable or unwilling to carry out any actions requested from them pursuant to these Terms and Conditions, means any other firm of certified accountants of international standing or repute in Poland nominated by the Issuer;

If any Event of Default shall occur and be continuing in relation to any Series, any holder of a Note of the relevant Series may, by written notice to the Issuer, at the specified office of the Paying Agent, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the **Early Termination Amount**) (which shall be its outstanding principal amount or, if such Note is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.5) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

Material Subsidiary means any Subsidiary of the Issuer: (a) whose gross profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated gross profits of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated, or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary of the Issuer, all as more particularly defined in the Agency Agreement. A certificate by the Management Board of the Issuer confirming that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time a Material Subsidiary of the Issuer accompanied by a report of the Auditors addressed to the Issuer (as to proper extraction of the figures used by the Management Board of the Issuer in determining the Material Subsidiaries of the Issuer and mathematical accuracy of the calculation) shall, in the absence of manifest error, be conclusive and binding on all parties.

Permitted Disposal means the transfer for fair value on arm's length terms (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of any assets of the Issuer or any of its Material Subsidiaries pursuant to or in connection with the exercise by Orange Polska S.A. of any option granted to it under the investment agreement dated 19 March 2014 and made between the Issuer and Orange Polska S.A., as amended from time to time.

Subsidiary means any company or corporation: (A) which is controlled, directly or indirectly, by the first-mentioned company or corporation; or (B) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or (C) which is a Subsidiary of another Subsidiary of the first-mentioned company or corporation, and, for these purposes, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

9.3 Events of Default relating to Subordinated Notes

This Condition 9.3 only applies to Subordinated Notes.

There will be no Events of Default in relation to Subordinated Notes.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. AGENTS

The initial Agents and are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent, which may be the Agent, with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of, the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND SUBSTITUTION

The Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the holders of Notes of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Agency Agreement) of the Notes, the Coupons or any of the provisions of the Agency Agreement or the Deed of Covenant. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Deed of Covenant or the Agency Agreement (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest

payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the holders of Notes of any Series will be binding on all holders of the Notes of such Series, whether or not they are present at the meeting, and on all holders of Coupons relating to Notes of such Series.

The Issuer may, with the consent of the Agent, but without the consent of the holders of the Notes of any Series or Coupons, agree to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

The Issuer, or any previous substituted company, may at any time, without the consent of the holders of the Notes of any Series or Coupons, substitute for itself as principal debtor under the Notes, the Coupons and the Talons any company (the **Substitute**) that is a Subsidiary of the Issuer, provided that no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the **Deed Poll**), to be substantially in the form scheduled to the Agency Agreement as Schedule 7, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each holder of a Note, Coupon or Talon against any tax, duty, assessment or governmental charge that is imposed on it by, or by any authority in or of, the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Coupon, Talon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) the obligations of the Substitute under the Deed Poll, the Notes, Coupons, Talons and the Deed of Covenant shall be unconditionally guaranteed by the Issuer by means of the Deed Poll, (iii) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Issuer have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, (v) legal opinions addressed to the holders of Notes shall have been delivered to them (care of the Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of paragraph (iii) above and the other matters specified in the Deed Poll and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the holders of Notes, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to holders of Notes, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 9 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 9 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect.

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law except the provisions of Condition 2.2 which shall be governed by, and construed in accordance with, Polish law.

17.2 Submission to jurisdiction

- (a) The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 17.2, each of the Issuer and any Noteholders or Couponholders taking proceedings in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

17.3 Appointment of Process Agent

The Issuer irrevocably appoints Commerzbank Aktiengesellschaft at its office at 30 Gresham Street, London EC2V 7PG as its agent for service of process, in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Commerzbank Aktiengesellschaft being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

17.4 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche will be used by the Issuer for general corporate purposes which will include making a profit. If in respect of an issue of Notes there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

SELECTED FINANCIAL INFORMATION OF THE ISSUER AND OVERVIEW OF THE GROUP'S FINANCIAL CONDITION

For the year ended 31 December 2017, the Group's total income (calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, gains less losses from investment securities, investments in subsidiaries and associates, the share in the profits (losses) of joint ventures, other operating income and other operating expenses) reached PLN 4,453.6 million, compared to PLN 4,295.4 million for the year ended 31 December 2016, which represents an increase of 3.7 per cent. The increase was mainly driven by higher net interest income and net fee and commission income.

As in the year ended 31 December 2016, net interest income was the Group's largest income source in the year ended 31 December 2017 (70.4 per cent. of total income). In the year ended 31 December 2017, net interest income reached PLN 3,135.7 million, compared to PLN 2,832.8 million in the previous year (an increase of 10.7 per cent.). The increase in net interest income was driven by higher interest income combined with a simultaneous cost reduction.

For the year ended 31 December 2017, interest income grew by 4.6 per cent. to PLN 4,052.1 million (compared to PLN 3,872.9 million for the year ended 31 December 2016). With a share of 74.4 per cent., loans and advances was the main source of the Group's interest income. For the year ended 31 December 2017, interest income from loans and advances increased by 9.5 per cent. to PLN 3,014.8 million (compared to PLN 2,753.2 million for the year ended 31 December 2016). This growth resulted mainly from a growing volume of loans and a change in the structure of the Group's loans portfolio: an increased share of high margin products, with a simultaneous decrease in the share of mortgage loans denominated in foreign currencies and characterised by lower margins. For the year ended 31 December 2017, interest income from investment securities decreased by 2.1 per cent. to PLN 693.2 million, compared with PLN 708.0 million for the year ended 31 December 2016, due to lower average balances of NBP bonds. For the year ended 31 December 2017, interest income on derivatives classified into the banking book decreased by 32.1 per cent. to PLN 133.6 million, compared with PLN 196.8 million for the year ended 31 December 2016, due to lower volumes of such transactions.

The decrease in interest expenses for the year ended 31 December 2017 of 11.9 per cent. compared to the previous year was related mainly to lower interest expenses arising from amounts due to customers (a decrease of 22.8 per cent.). It resulted from lower interest rates on deposits and a large inflow of funds to current accounts. Interest expenses arising from amounts due to banks decreased by 8.5 per cent. to PLN 58.3 million driven by a decrease in the balance of received loans and advances. There was an increase of 9 per cent. in expenses relating to the Group's debt securities for the year ended 31 December 2017, amounting to PLN 280.2 million (compared with PLN 257.0 million for the year ended 31 December 2016), as a result of an increase in the value of the Group's outstanding debt securities (see "*Description of the Group – Financial Markets*").

The Group's net interest margin for the year ended 31 December 2017 was 2.5 per cent., compared with 2.3 per cent. for the year ended 31 December 2016.

The Group's net fee and commission income increased by 9.5 per cent. to PLN 992.2 million, compared with PLN 906.4 million for the year ended 31 December 2016.

The Group's commission income increased by 7.0 per cent. to PLN 1,659.7 million for the year ended 31 December 2017 (compared with PLN 1,550.8 million for the year ended 31 December 2016). Payment card-related fees increased by 3.0 per cent to PLN 372.9 million for the year ended 31 December 2017 (compared with PLN 361.9 million for the year ended 31 December 2016), driven by increases in the Group's number of clients and payment cards, and increases in the volume of transactions. Credit-related fees and commissions increased by 5.3 per cent. to PLN 324.8 million for the year ended 31 December 2017 (compared with PLN 308.5 million for the year ended 31 December 2016) due to an increase in the Group's

generation of loans. Commissions for agency services in connection with the sale of insurance products of external financial entities increased by 12.4 per cent. to PLN 187.4 million for the year ended 31 December 2017 (compared with PLN 166.8 million for the year ended 31 December 2016). Fees from brokerage activities and debt securities issuance decreased by 4.6 per cent. to PLN 135.5 million for the year ended 31 December 2017 (compared with PLN 142.0 million for the year ended 31 December 2016). Commissions from bank accounts increased by 9.7 per cent. to PLN 186.7 million for the year ended 31 December 2017 (compared with PLN 170.2 million for the year ended 31 December 2016), driven by a growing client base. The growth in transactional banking and a higher number of transactions resulted in an increase in commissions from money transfers of 8.4 per cent. to PLN 119.9 million for the year ended 31 December 2017, compared with PLN 110.6 million for the year ended 31 December 2016. The year ended 31 December 2017 also saw an increase in commissions due to guarantees granted and trade finance commissions of 21.4 per cent. to PLN 71.4 million (compared with PLN 58.8 million for the year ended 31 December 2016), and commissions on agency service in connection with the sale of products of external financial entities (an increase of 18.4 per cent. to PLN 136.6 million for the year ended 31 December 2017, compared with PLN 115.4 million for the year ended 31 December 2016).

For the year ended 31 December 2017, fee and commission expenses grew by 3.6 per cent. to PLN 667.5 million compared to PLN 644.4 million for the year ended 31 December 2016. The highest rate of growth was recorded in other fees and payment card-related fees and commissions.

Dividend income amounted to PLN 3.4 million for the year ended 31 December 2017, compared with PLN 3.3 million for the year ended 31 December 2016.

The Group recorded net trading income of PLN 294.1 million for the year ended 31 December 2017, which represented an increase of 20.2 per cent. compared with the year ended 31 December 2016. This growth was driven mainly by a higher foreign exchange result, as well as other net trading income and result on hedge accounting, predominantly due to the higher valuation of interest rate derivatives.

Gains less losses on investment securities and investments in subsidiaries and associates for the year ended 31 December 2017 recorded a loss of PLN 3.9 million, compared with a gain of PLN 261.3 million for the year ended 31 December 2016. In 2017, gains less losses on investment securities and investments in subsidiaries and associates were impacted by a write-off connected with the sale of mLocum's shares and the revaluation of certain assets, while in 2016, a figure of PLN 251.7 million in proceeds from the takeover of Visa Europe Limited by Visa Inc. was posted.

Other net operating income (other operating income net of other operating expenses) amounted to PLN 32.2 million for the year ended 31 December 2017, representing a decrease of 31.4 per cent. from PLN 46.9 million for the year ended 31 December 2016. Other operating income decreased by 0.6 per cent. to PLN 242.4 million for the year ended 31 December 2017 (compared with PLN 243.7 million for the year ended 31 December 2016). At the same time, other operating expenses increased by 6.8 per cent. to PLN 210.2 million for the year ended 31 December 2017 (compared with PLN 196.8 million for the year ended 31 December 2016), which was predominantly caused by increased provisioning for future commitments.

For the year ended 31 December 2017, the Group's total overhead costs and amortisation was PLN 2,043.2 million, which represented a 4.1 per cent. increase in comparison with the previous year (PLN 1,963.3 million for the year ended 31 December 2016). This increase was mainly driven by higher material costs and higher contributions to the BGF. Staff-related expenses increased by 3.0 per cent. to PLN 902.9 million for the year ended 31 December 2017 (compared with PLN 876.7 million for the year ended 31 December 2016), mainly due to an increase in remuneration costs. The number of full-time employees decreased to 6,455 as at 31 December 2017. Material costs increased 5.0 per cent. to PLN 705.2 million for the year ended 31 December 2017 (compared with PLN 671.3 million for the year ended 31 December 2016).

The Group's contribution to the BGF increased by 11.3 per cent. to PLN 180.1 million for the year ended 31 December 2017, compared with PLN 161.7 million for the year ended 31 December 2016, as a result of

modifications in the method for calculation of contributions to the deposit guarantee scheme and forced restructuring. Amortisation remained consistent in the year ended 31 December 2017 with the levels of amortisation in the year ended 31 December 2016 (PLN 224.2 million for the year ended 31 December 2017 compared with PLN 223.6 million for the year ended 31 December 2016).

As a result of changes in income and expenses, the cost to income ratio for the year ended 31 December 2017 was 45.9 per cent. (compared with 45.7 per cent. for the year ended 31 December 2016). The cost to income ratio is calculated by dividing overhead costs and amortisation by total income comprising: net interest income, net fee and commission income, dividend income, net trading income, gains less losses from investment securities, the share in the profits (losses) of joint ventures, other operating income and other operating expenses.

For the year ended 31 December 2017, the Group's net impairment losses on loans and advances amounted to PLN 507.7 million, an increase of 39.0 per cent. compared with PLN 365.4 million for the year ended 31 December 2016. For the year ended 31 December 2017, the cost of risk (calculated by dividing net impairment losses on loans and advances by the average net loans and advances to customers) was 0.61, compared with 0.46 for the year ended 31 December 2016. As at 31 December 2017, the Group's non-performing loans ratio (calculated by dividing the gross carrying value of loans and advances to customers with recognised impairment by the gross carrying value of loans and advances to customers) stood at 5.2 per cent. compared to 5.4 per cent. as at 31 December 2016.

Taxes on the Group's balance sheet items for the year ended 31 December 2017 were PLN 375.3 million compared with PLN 328.9 million for the year ended 31 December 2016.

The Group's profit before income tax for the year ended 31 December 2017 was PLN 1,527.9 million compared to PLN 1,637.7 million for the year ended 31 December 2016. The Group's gross return on equity declined from 13.6 per cent. as at 31 December 2016 to 11.6 per cent. as at 31 December 2017.

The Group's net profit attributable to Owners of mBank S.A. for the year ended 31 December 2017 was PLN 1,091.5 million, representing a decrease of 10.5 per cent. compared to previous year. The Group's net return on equity stood at 8.3 per cent. as at 31 December 2017 compared to 10.1 per cent. as at 31 December 2016.

The Group's capital adequacy ratios increased in the year ended 31 December 2017. As at 31 December 2017, the Total Capital Ratio stood at 21.0 per cent. compared with 20.3 per cent. as at 31 December 2016. The Common Equity Tier 1 capital ratio was 18.3 per cent. as at 31 December 2017, compared with 17.3 per cent. as at 31 December 2016. The consolidated leverage ratio calculated in accordance with the provisions of the CRR and Commission Delegated Regulation (EU) 2015/62 of October 10, 2014, amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio, including provisions regarding transitional period, amounted to 9.0 per cent. (compared with 8.2 per cent. in the previous year).

PRESENTATION OF THE GROUP FINANCIAL AND OTHER INFORMATION

ALTERNATIVE PERFORMANCE MEASURES

The Base Prospectus includes certain data which the Issuer considers to constitute alternative performance measures (**APMs**) for the purposes of the European Securities Markets Authority (**ESMA**) Guidelines on Alternative Performance Measures.

These Alternative Performance Measures are not defined by, or presented in accordance with, IFRS. The Alternative Performance Measures are not measurements of the Bank's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Bank's liquidity.

APM	Definition
Core income	The sum of net interest income and net fee and commission income.
Net other operating income	Other operating income less other operating expenses.
Total income	The sum of net interest income, net fee and commission income, dividend income, net trading income, gains less losses from investment securities, investments in subsidiaries and associates, the share in the profits (losses) of joint ventures, other operating income and other operating expenses.
Total income per employee	Calculated by dividing total income by the average number of FTEs (Full Time Equivalents). The average number of FTEs is calculated on the basis of FTE as at the beginning of the year and at the end of each quarter.
ROE gross (Return on equity gross)	Calculated by dividing profit/(loss) before income tax by the average equity attributable to Owners of mBank S.A, net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month.
ROE net (Return on equity net)	Calculated by dividing net profit/(loss) attributable to Owners of mBank S.A. by the average equity attributable to Owners of mBank S.A net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month.
ROA net (Return on assets net)	Calculated by dividing net profit/(loss) attributable to Owners of mBank S.A. by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month.
Cost to income ratio (C/I)	Calculated by dividing overhead costs and amortisation by total income comprising: net interest income, net fee and commission income, dividend income, net trading income, gains less losses from investment securities, investments in subsidiaries and associates, the share in the profits (losses) of joint ventures, other operating income and other operating expenses.
Net interest margin (NIM)	Calculated by dividing net interest income by average interest earning assets. Interest-earning assets are a sum of cash and balances with the Central Bank, loans and advances to banks, trading securities, loans and advances to customers (net) and investment securities. The average interest-earning assets are calculated on the basis of the balances as at the end of each month.
NPL ratio (Non-performing loans ratio)	Calculated by dividing the gross carrying value of loans and advances to customers with recognised impairment by the total (gross) loans and advances to customers.
NPL ratio – corporate portfolio	Calculated by dividing the gross carrying value of loans and advances to corporate customers with recognised impairment by the total (gross) loans and advances to corporate customers excluding reverse repo/ buy-sell-back transactions.
NPL ratio of mortgage loan portfolio to private individuals	Calculated by dividing the gross carrying value of mortgage loans to private individuals in Poland with recognised impairment by the total (gross) mortgage loans to private individuals in Poland.
NPL ratio – retail portfolio	Calculated by dividing the gross carrying value of loans and advances to retail customers with recognised impairment by the total (gross) loans and advances to retail customers.
NPL Coverage ratio	Calculated by dividing provisions for receivables with impairment by receivables with impairment - gross balance sheet exposure.
NPL Coverage ratio	Calculated by dividing a sum of provisions for receivables with impairment and

incl. IBNR (incurred but not reported) provisions	IBNR provisions by the gross carrying value of loans and advances to customers with recognised impairment.
Cost of risk	Calculated by dividing net impairment losses on loans and advances by the average net loans and advances to customers. The average net loans and advances are calculated on the basis of the balances as at the beginning of the year and at the end of each quarter.
Loan to deposit ratio	Calculated by dividing net loans and advances to customers by amounts due to customers.
Equity to assets	Calculated by dividing total equity by total assets.
Securities to assets	Calculated by dividing the sum of trading securities and investment securities by total assets.
TREA to assets	Calculated by dividing the Total Risk Exposure Amount by total assets.

The Issuer believes that the above measures provide useful information to investors for the purposes of evaluating the financial condition and results of operations of the Group, the quality of its assets and the fundamentals of its business.

In particular:

- (i) the ratios presented by the Issuer are aimed at quantifying certain aspects of the Issuer's business and its strengths within the context of the Polish banking system; and
- (ii) the alternative performance measures, although not required by law in the preparation of financial statements, allow for comparisons with other banks, over different periods of time and between the Issuer and the average industry standards.

GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

The following tables present consolidated financial data of the Group as at and for the years ended 31 December 2017 and 31 December 2016 which were derived from the Consolidated Financial Statements of the Group.

This section should be read along with the financial data included or incorporated by reference elsewhere in this Base Prospectus.

Consolidated Income Statements

	Year ended 31 December	
	2017	2016
	<i>(PLN thousands)</i>	
	<i>(audited)</i>	
Interest income	4,052,074	3,872,855
Interest expense	(916,414)	(1,040,012)
Net interest income	3,135,660	2,832,843
Fee and commission income	1,659,673	1,550,843
Fee and commission expense	(667,515)	(644,398)
Net fee and commission income	992,158	906,445
Dividend income.....	3,428	3,327
Net trading income, including:.....	294,063	244,631
<i>Foreign exchange result</i>	<i>289,112</i>	<i>270,451</i>

	Year ended 31 December	
	2017	2016
	<i>(PLN thousands)</i> <i>(audited)</i>	
<i>Other net trading income and result on hedge accounting</i>	4,951	(25,820)
Gains less losses from investment securities, investments in subsidiaries and associates	(3,937)	261,281
The share in the profits (losses) of joint ventures	-	(107)
Other operating income	242,360	243,749
Net impairment losses on loans and advances	(507,721)	(365,394)
Overhead costs	(1,818,949)	(1,739,643)
Amortisation	(224,219)	(223,641)
Other operating expenses.....	(210,171)	(196,815)
Operating profit	1,902,672	1,966,676
Taxes on the Group balance sheet items	(375,256)	(328,939)
Share in profits (losses) of entities under the equity method	486	-
Profit before income tax	1,527,902	1,637,737
Income tax expense	(432,832)	(415,513)
Net profit	1,095,070	1,222,224
Net profit attributable to:		
Owners of mBank S.A.	1,091,530	1,219,282
Non-controlling interests	3,540	2,942

Source: Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

	Year ended 31 December	
	2017	2016
	<i>(PLN thousands)</i> <i>(audited)</i>	
Net profit	1,095,070	1,222,224
Other comprehensive income net of tax, including:	165,219	(447,125)
<i>Items that may be reclassified subsequently to the income statement</i>		
Exchange differences on translation of foreign operations (net)	477	422
Change in valuation of available-for-sale financial assets (net)	171,461	(445,422)
Cash flows hedges (net)	(3,653)	(2,404)
<i>Items that will not be reclassified to the income statement</i>		
Actuarial gains and losses relating to post-employment benefits (net).....	(3,066)	279
Total comprehensive income (net)	1,260,289	775,099
Total comprehensive income (net), attributable to:		
Owners of mBank S.A.	1,256,749	772,157
Non-controlling interests	3,540	2,942

Source: Consolidated Financial Statements

Consolidated Statements of Financial Position

As at 31 December	
2017	2016

	<i>(PLN thousands)</i> <i>(audited)</i>	
ASSETS		
Cash and balances with the Central Bank.....	7,384,869	9,164,281
Loans and advances to banks	1,707,722	3,082,855
Trading securities	1,525,382	3,800,634
Derivative financial instruments	1,236,303	1,808,847
Loans and advances to customers	84,475,844	81,763,277
Investment securities	32,144,699	31,393,352
Investments in associates	28,680	-
Non-current assets held for sale	42,134	-
Intangible assets.....	710,642	582,663
Tangible assets	758,738	757,371
Current income tax assets	9,688	1,310
Deferred income tax assets	629,250	540,756
Other assets	770,068	848,156
Total assets	131,424,019	133,743,502
LIABILITIES AND EQUITY		
Liabilities		
Amounts due to the Central Bank	-	-
Amounts due to other banks	5,073,351	8,486,753
Derivative financial instruments	1,095,365	1,599,266
Amounts due to customers	91,496,027	91,417,962
Debt securities in issue	14,322,852	12,660,389
Hedge accounting adjustments related to fair value of hedged items	44,854	116,871
Other liabilities	2,571,130	2,178,790
Current income tax liabilities.....	179,685	104,999
Deferred income tax liabilities	81	1,208
Provisions	190,975	182,754
Subordinated liabilities	2,158,143	3,943,349
Total liabilities	117,132,463	120,692,341
Equity		
Equity attributable to Owners of mBank S.A.	14,289,370	13,023,756
Share capital:	3,564,176	3,551,096
<i>Registered share capital</i>	169,248	169,121
<i>Share premium</i>	3,394,928	3,381,975
Retained earnings:	10,574,294	9,486,979
<i>Profit from the previous years</i>	9,482,764	8,267,697
<i>Profit for the current year</i>	1,091,530	1,219,282
Other components of equity	150,900	(14,319)
Non-controlling interests	2,186	27,405
Total equity	14,291,556	13,051,161
Total liabilities and equity	131,424,019	133,743,502

Source: Consolidated Financial Statements

Items from Consolidated Cash Flow Statements

Year ended 31 December	
2017	2016

	<i>(PLN thousands)</i> <i>(audited)</i>	
Cash and cash equivalents at the beginning of the reporting period.....	15,000,049	6,656,382
Net cash generated from/used in operating activities	(2,855,235)	8,357,693
Net cash generated from/used in investing activities.....	(409,411)	(136,968)
Net cash generated from/used in financing activities	(1,871,459)	135,319
Effects of exchange rate changes on cash and cash equivalents.....	(39,684)	(12,377)
Cash and cash equivalents at the end of the reporting period.....	9,824,260	15,000,049
Net increase/decrease in cash and cash equivalents.....	(5 136,105)	8,356,044

Source: Consolidated Financial Statements

Capital Adequacy

The Group is required to comply with the following regulations when calculating, among others, its capital ratios, its own funds and its total capital requirement:

- the CRR Regulation,
- the ITS Regulation;
- the Banking Law;
- the Act on Macroprudential Supervision of the Financial System and Crisis Management of 5 August 2015; and
- the Regulation of the Minister of Development and Finance of 25 May 2017 on credit exposures secured by mortgages on real estate property.

The entities included in the scope of prudential consolidation according to the rules of the CRR Regulation are taken into account in the process of calculating the consolidated own funds and the own funds requirements.

The table below presents selected data concerning capital ratios of the Group as at the dates indicated below.

	31 December	
	2017	2016
	<i>(audited)</i>	
	<i>(per cent.)</i>	
Total capital ratio/capital adequacy ratio	20.99	20.29
Common Equity Tier 1 capital ratio/Core Tier 1 ratio.....	18.31	17.32

Source: Consolidated Financial Statements

Key Financial Ratios

The table below presents selected financial ratios for the Group (except LCR and NSFR, which are presented for the Bank) as at the dates and for the periods indicated below.

	As at and for the year ended 31 December	
	2017	2016

	(per cent.)	
	(unaudited)	
ROE gross ¹	11.6	13.6
ROE net ²	8.3	10.1
ROA net ³	0.8	1.0
Cost to income ratio (C/I) ⁴	45.9	45.7
Net interest margin (NIM) ⁵	2.5	2.3
Non-performing loans ratio (NPL ratio) ⁶	5.2	5.4
NPL ratio - corporate portfolio ⁷	5.3	5.8
NPL ratio - retail portfolio ⁸	5.2	5.2
NPL ratio of mortgage loan portfolio to private individuals ⁹	3.3	3.7
NPL Coverage ratio ¹⁰	59.2	57.1
NPL Coverage ratio incl. IBNR (incurred but not reported) provisions ¹¹	64.6	62.1
Cost of risk ¹²	0.61	0.46
Loan to deposit ratio ¹³	92.3	89.4
Equity to assets ¹⁴	10.9	9.8
Securities to assets ¹⁵	25.6	26.3
Liquidity Coverage Ratio (LCR) ¹⁶	165	199
Net Stable Funding Ratio (NSFR) ¹⁷	114	114

Source: The Bank

¹ Calculated by dividing profit/(loss) before income tax by the average equity attributable to Owners of the Bank net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month.

² Calculated by dividing net profit/(loss) attributable to Owners of the Bank. by the average equity attributable to Owners of the Bank. net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month.

³ Calculated by dividing net profit attributable to Owners of the Bank. by the average total assets The average total assets are calculated on the basis of the balances as at the end of each month.

⁴ Calculated by dividing overhead costs and amortisation by total income comprising: net interest income, net fee and commission income, dividend income, net trading income, gains less losses from investment securities, investments in subsidiaries and associates, the share in the profits (losses) of joint ventures, other operating income and other operating expenses.

⁵ Calculated by dividing net interest income by average interest earning assets. Interest earning assets are a sum of cash and balances with the Central Bank, loans and advances to banks, trading securities, loans and advances to customers (net) and investment securities. The average interest earning assets are calculated on the basis of the balances as at the end of each month.

⁶ Calculated by dividing the gross carrying value of loans and advances to customers with recognised impairment by the total (gross) loans and advances to customers.

⁷ Calculated by dividing the gross carrying value of loans and advances to corporate customers with recognised impairment by the total (gross) loans and advances to corporate customers excluding reverse repo/buy-sell-back transactions.

⁸ Calculated by dividing the gross carrying value of loans and advances to retail customers with recognised impairment by the total (gross) loans and advances to retail customers.

⁹ Calculated by dividing the gross carrying value of mortgage loans to private individuals in Poland with recognised impairment by the total (gross) mortgage loans to private individuals in Poland..

¹⁰ Calculated by dividing provisions for receivables with impairment by the gross carrying value of loans and advances to customers with recognised impairment.

¹¹ Calculated by dividing a sum of provisions for receivables with impairment and IBNR provisions by the gross carrying value of loans and advances to customers with recognised impairment.

¹² Calculated by dividing net impairment losses on loans and advances by the average net loans and advances to customers. The average net loans and advances are calculated on the basis of the balances as at the beginning of the year and at the end of each quarter.

¹³ Calculated by dividing net loans and advances to customers by amounts due to customers.

¹⁴ Calculated by dividing total equity by total assets.

¹⁵ Calculated by dividing trading securities and investment securities by total assets.

¹⁶ Liquidity Coverage Ratio (LCR) - a relation of liquid assets of the liquidity buffer to the expected net outflows within 30 calendar days.

¹⁷ Net Stable Funding Ratio (NSFR) - a relation of own funds and stable liabilities ensuring stable financing to illiquid assets and receivables requiring stable financing.

SELECTED HISTORICAL DATA FOR THE GROUP

The table below presents selected consolidated financial data for the Group (except LCR and NSFR which are presented for the Bank alone) as at the dates and for the periods indicated below.

	2013	2014	2015	2016	2017
	<i>PLN thousand</i>				
Total assets	104,282,761	117,985,822	123,523,021	133,743,502	131,424,019
Loans and advances to customers	68,210,385	74,582,350	78,433,546	81,763,277	84,475,844
Amounts due to customers	61,673,527	72,422,479	81,140,866	91,417,962	91,496,027
Total equity	10,256,438	11,072,980	12,274,964	13,051,161	14,291,556
	<i>PLN thousand</i>				
Net interest income	2,225,811	2,490,658	2,511,373	2,832,843	3,135,660
Net fees and commission income	834,738	901,690	897,176	906,445	992,158
Total income ¹	3,673,524	3,939,168	4,093,323	4,295,354	4,453,561
Total costs ²	(1,678,043)	(1,770,565)	(2,050,596)	(1,963,284)	(2,043,168)
Net impairment losses on loans and advances	(477,778)	(515,903)	(421,222)	(365,394)	(507,721)
Net profit attributable to Owners of mBank S.A.	1,206,375	1,286,668	1,301,246	1,219,282	1,091,530
	<i>(per cent.)</i>				
Net interest margin	2.2	2.3	2.1	2.3	2.5
Cost to income ratio (C/I)	45.7	44.9	50.1	45.7	45.9
Cost of risk	0.70	0.72	0.54	0.46	0.61
ROE net	13.1	13.1	11.8	10.1	8.3
ROA net	1.1	1.1	1.0	1.0	0.8
Common Equity Tier 1 capital ratio*	14.2	12.2	14.3	17.3	18.3
Total Capital Ratio*	19.4	14.7	17.3	20.3	21.0

	2013	2014	2015	2016	2017
Loan to deposit ratio	110.6	103.0	96.7	89.4	92.3
NPL ratio	6.3	6.4	5.7	5.4	5.2
NPL ratio - corporate portfolio	7.9	7.1	6.2	5.8	5.3
NPL ratio - retail portfolio	6.2	6.9	5.7	5.2	5.2
NPL ratio of mortgage loan portfolio for private individuals	4.5	4.9	3.8	3.7	3.3
NPL Coverage ratio	47.8	51.9	58.9	57.1	59.2
NPL Coverage ratio incl. IBNR provisions	53.6	56.8	64.3	62.1	64.6
Liquidity Coverage Ratio for the Bank (LCR)	187	149	144	199	165
Net Stable Funding Ratio for the Bank (NSFR)	113	109	109	114	114

* From 2014, capital ratios are calculated according to provisions of the CRR Regulation.

Source: Consolidated Financial Statements

¹Total income is calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, gains less losses from investment securities, investments in subsidiaries and associates, the share in the profits (losses) of joint ventures, other operating income and other operating expenses.

²Total costs include Overhead costs and Amortisation.

DESCRIPTION OF THE GROUP

Overview

The Group is one of the largest financial services groups in Poland providing retail, corporate and investment banking as well as other financial services. It is the fourth largest banking group in the Polish market in terms of total assets and fifth in terms of customer loans and deposits according to the financial statements published by Polish banks. Furthermore, the Group has leading positions in Poland in mobile and internet banking, brokerage, commercial real estate financing, factoring, leasing and distribution of insurance products.

Despite strong competition in the Polish financial sector, the Bank's client base has grown almost entirely organically, reaching 5,342 thousand retail clients (including 633,600 in the Czech Republic and 271,800 in Slovakia) and 22,048 corporate customers as at 31 December 2017.

The main products and services which the Group provides to retail customers, including private banking customers, comprise in particular current and saving accounts, business accounts for microbusinesses, credit products, deposit products, payment cards, investment products, insurance products (including bancassurance products), brokerage services, and leasing for microbusinesses. The Group offers a wide variety of credit products to its retail customers, including consumer loans, mortgage loans and brokerage lines. On the deposit side, the Bank focuses on savings and current accounts as well as term deposits. The Bank also offers its retail customers brokerage products, investment funds, transaction services and foreign exchange services.

The Bank has replicated its retail banking model in foreign markets. In 2007, the Bank launched operations in the Czech Republic and Slovakia, focusing initially on transactional and deposit products and now expanding also into non-mortgage and mortgage loans as the bank has been able to establish and develop strong client relationships. At the end of 2014, mBank launched the first mobile banking platform in the Czech Republic, building on its success in the domestic market. As a result mBank in the Czech Republic is a fully fledged retail bank representing a successful extension of the Polish model.

The Group's range of products and services for corporate clients is focused on transactional banking products and services (primarily business accounts, local and foreign transfers, payment cards, cash services and liquidity management products). They are combined with business financing products which are used as a means for maintaining long-term banking relationships with clients and a platform for cross-selling more sophisticated non-capital intensive products and services (such as hedging instruments, services relating to the equity capital markets (**ECM**), debt capital markets (**DCM**) and mergers and acquisitions (**M&A**), as well as factoring and leasing).

The Management Board of the Bank believes that the Bank's distribution concept for its clients combines the most technologically advanced solutions adapted for the Polish banking market and the current and future operating environment, including internet and mobile-based tools (such as its retail banking platform and corporate banking internet platform "mBank CompanyNet"), premium service quality and a mid-sized physical distribution network located throughout Poland. The physical distribution network of the Bank in Poland is composed of (i) its own organically grown countrywide retail network of 136 locations of mBank branded outlets and 164 outlets comprising mFinanse Financial Centres, agency service points and mKiosk outlets, as well as (ii) 29 fully fledged corporate branches and 17 corporate offices located in the largest cities throughout Poland. The internet and mobile transaction platform supports a branch-light model, thereby giving the Group a low fixed cost base and a high degree of operating flexibility.

History

The Bank was established in 1986 under the business name of Bank Rozwoju Eksportu SA. The State Treasury of the Republic of Poland and the NBP were among its founding shareholders. The Bank was originally dedicated solely to serving corporate customers and focused on granting foreign currency loans to Polish exporters for the purchase of investment goods and technology.

Following its initial public offering in 1992 under which the State Treasury of the Republic of Poland sold a portion of its shareholding, the Bank's shares were admitted to trading on the regulated market operated by the stock exchange in Poland (the **Warsaw Stock Exchange**).

In 1994, the Bank signed a strategic partnership agreement with Commerzbank, which purchased 21 per cent. of the Bank's shares. Subsequently the Bank's share capital was increased. As at the date of this Base Prospectus, Commerzbank holds shares representing 69.37 per cent. of the Bank's share capital and of the total number of votes at the Bank's General Shareholders' Meeting.

In 1998, the Bank merged with Polski Bank Rozwoju S.A. (**PBR**) following the acquisition of PBR's shares in a public tender offer.

In 2000, the Bank started its retail operations by launching mBank, a fully internet based bank, which was a pioneering project in the Polish market. During the last decade it has managed to become the leading online bank in Poland in terms of the number of accounts and has developed a network of small branches.

In 2001, the Bank added a second retail brand, MultiBank, a high street brick-and-mortar bank. MultiBank offered a broad range of products and services targeted at affluent customers and micro-businesses seeking a high quality, personalised service.

In November 2007, the Bank expanded into the Czech Republic and Slovakia. At the end of 2016, the Bank provided services to approximately 892,600 customers in the Czech Republic and Slovakia through its internet platform and 37 branches.

The rebranding of the "BRE Bank" and "MultiBank" brands with the "mBank" brand on 25 November 2013 represented a significant milestone for the Group and "mBank" branding has subsequently been used in every market and in every area of the Bank's operations. As part of the rebranding process, most Group companies have also changed their names by adding the prefix "m". The principal objective of the rebranding was to create a coherent banking offer across all businesses previously represented by distinctive brands including BRE Bank, mBank, MultiBank as well as BRE Private Banking & Wealth Management.

In 2014, the Bank entered into a strategic co-operation arrangement with the AXA Group, one of the largest insurance institutions in the world, in order to enhance the quality of products and services offered for the Group clients and to expand the Bank's range of insurance products. In March 2015, the Group sold its insurance subsidiary, BRE Ubezpieczenia TUiR, to the AXA Group and entered into agreements with the AXA Group which regulate long-term co-operation between the Bank and the AXA Group for the distribution of life and non-life insurance products.

In October 2015, the Bank conducted a successful migration of customers of the former MultiBank and customers of Private Banking to the Bank. Approximately 630,000 customers along with their products and full transaction history were moved onto the Bank's new platform.

Since mid-2016, the Bank has been guided by its "Mobile Bank" strategy, which is based on three pillars and forms a framework for the Bank's business initiatives and operational activities. These pillars are client-centricity (empathy), developing the Bank's competitive advantage in the area of mobility and continued efficiency improvements.

In 2017, the Bank funded its mAccelerator project by purchasing PLN 221.2 million of investment certificates in the Future Tech FIZ Closed-End Investment Fund (the **Fund**). The Fund is the Bank's EUR 50

million venture capital fund, launched in June 2017. As at 31 December 2017, the Bank held 98.04 per cent. of the Fund's investment certificates. The Fund engages in seed as well as later-stage investments in start-ups with solutions applicable to the banking and financial sectors, with a current focus on cybersecurity, biometry, robotic process automation, artificial intelligence and digital marketing (including chatbots and messengers).

Competitive Strengths

In 2016, the Group announced its "mobile Bank" strategy for the period 2016-2020, which is based on three pillars: client centricity, leveraging mobility and continued improvement of efficiency.

Leading Market Position across Key Segments

The Group has a leading position in retail, corporate and investment banking in Poland. As at 31 December 2017, mBank's market share in retail loans stood at 6.3 per cent. (6.9 per cent. in mortgage loans and 5.9 per cent. in non-mortgage loans), while mBank's market share in retail deposits stood at 5.9 per cent. (based on NBP figures). Based on publicly available information from the PRNews.pl reports, the Bank is one of the leading retail banks in Poland, in terms of active users of internet banking (second as at the end of December 2017), active users of mobile banking (second as at the end of December 2017) and the number of personal accounts (third as at the end of December 2017).

As at 31 December 2017, the Bank's market share in corporate loans and corporate deposits stood at 6.4 per cent. and 9.6 per cent., respectively (based on NBP figures). Furthermore, the Bank has been consistently ranked as one of the leading banks providing investment banking services in Poland. According to Fitch Polska S.A., Rating and Rynek, as at 31 December 2017 the Bank was the market leader for arranging bank debt securities and ranked third in the market for providing corporate bonds and short-term debt securities. The Bank is also ranked among the leading government debt securities primary dealers by the Polish Ministry of Finance as well as money market dealers by the NBP.

The Bank's "mobile first" model is:

- "light" in the sense that it relies mainly on mobile and online distribution channels supported by a network of mBank branches and the Contact Centre, as well as
- "tailored" in that it seeks to adjust to changing customer preferences (for example, increasingly customer contact with banking institutions is largely transferring to remote channels). The Bank employs digital channels for sale and client acquisition to a greater extent than competing banks in Poland, which have historically maintained a more traditional and outlet-based distribution model.

Given its multi-channel approach, which has been designed to anticipate and follow the changing needs of clients, the Management Board believes that the Bank's current sales mix is already ahead of what is expected to be the pattern of distribution prevailing in the banking sector in the coming years, most importantly mobile, internet, video and call centre channels rapidly gaining importance as demonstrated by the sales levels of various banking products generated by these channels as compared to traditional branches. The Bank promotes a self-service model in which retail customers operate their accounts via mobile banking, the internet and telephone banking, allowing the Bank to leverage its premium client access by proactively using modern real time marketing.

Favourable demographics

mBank's innovative and unique business model puts the Bank in a good position to target young, aspiring, tech-savvy clients. The Bank's retail client base has an advantageous demographic profile as compared to the Polish market.

The Bank estimates that approximately half of its retail clients are under the age of 35 and are expected to reach their highest personal income levels in the future. The Bank believes that this puts it in a strong position to benefit from additional cross-selling opportunities of banking and insurance products. The Bank believes that the maturity profile of the Bank's customer base provides a natural source for revenue growth as well as supports the asset quality of the Group and the responsiveness of its clients to cross-selling initiatives. Moreover, mBank's mortgage clients predominantly live in urban areas and large cities of more than 100,000 residents. The Bank believes that its retail customer base consists of a high socio-economic demographic.

The Group's retail customer base has grown from 5,052,000 customers as at 31 December 2016 to 5,342,000 customers as at 31 December 2017.

Strong Corporate and Investment Banking Business

The Corporates and Markets segment of the Bank is organised into two sub-segments: (i) Corporate & Investment Banking, which covers a comprehensive corporate banking product and services offering and (ii) Financial Markets which focuses on trading and other activities on financial markets.

The strong position of the Bank's corporate and investment banking business in Poland results primarily from its comprehensive offering of financial products and services, diversified distribution channels, including a branch and office network exclusively dedicated to corporate customers and an integrated mBank CompanyNet internet platform, as well as long-standing relationships with its customers. In addition to its standard range of corporate banking products and services, the Bank provides tailor-made product solutions to meet the increasingly complex demands of its clients.

The Bank also operates a modern customer relationship management (**CRM**) system which enables it to perform comprehensive analyses of corporate customers' potential and needs for banking products and services. The tool effectively supports the Bank's increasing cross selling activities.

The Bank's comprehensive cash management offer supports long-term relationships with clients. The Bank offers state-of-the-art solutions to facilitate planning, monitoring and management of most liquid assets, cash processing and electronic banking.

The Bank's investment banking functions are integrated with its corporate banking functions in order to offer to its corporate clients fully integrated commercial banking products, services and solutions along with its investment banking services, such as ECM, DCM and M&A advisory services, and to build potential for the future extension of its integrated corporate and investment banking offer to medium-sized corporate clients. The Bank's investment banking products and services, as well as commercial lending products, structured finance and market risk hedging instruments complement its core transactional banking products offered to corporate clients.

The Group's corporate customer base has grown from 20,940 clients as at 31 December 2016 to 22,048 clients as at 31 December 2017.

Unique, Award Winning, High-Tech, Branch-Light Platform underpins the Bank's Rapid Growth of Operations and gives the Group a competitive advantage

The Bank has built an advanced, innovative and versatile high-tech internet and mobile transaction platform that is adapted for the banking market where the Bank is present and the current and future operating environment.

The Bank has an innovative, integrated and reliable IT platform. This platform architecture allows the Bank to develop and introduce new products, services and sales channels rapidly, inexpensively and with a low operational risk. The Bank's data warehouse gives fast, high quality, detailed and aggregated reporting of:

service quality, network, customer and product profitability, risk performance, and employee performance. The Management Board believes that the Bank's flexible IT infrastructure will enable the Bank to manage its business expansion strategy.

As an innovator in the market, the Bank has sought to constantly improve its internet and mobile transaction platform. In April 2017, mBank launched a new mobile application, which offers new customers features such as: Android Pay; a spending tracker (a graphic presentation of a client's spending behaviour); "mLine at a click" (a feature that makes it possible for a user to talk to a Bank consultant without having to enter their ID and telephone password); "Online Expert" (the possibility of video and chat connection to the Bank for customers using the application on both iOS and Android); fast cash loans with credit decisions issued within 1 minute from the submission of an application based on a pre-defined limit assigned to the client; instant money transfers in the BLIK system using a mobile phone number instead of an account number; mobile authorisation in branches, "My Objectives" saving programme (which enables the user to set and manage saving objectives) and "mobile eMakler" which offers mobile access to the full range of services related to investing in the stock-market.

The account-integrated internet transaction platform enables the Bank to provide real-time marketing and effectively cross-sell its products and services to its customers. The highly innovative and user-friendly internet and mobile platform allows the Bank to attract new clients to the bank, while the ability to bundle new products and services to existing clients increases their loyalty to the Bank and supports client retention rates.

mBank's widely recognised operational excellence is based on its state-of-the-art user interface for online banking, next-generation mobile applications, video banking and P2P payments via Facebook and text messaging, and real-time, event-driven CRM: targeted messages in online and mobile applications based on customer behaviour patterns.

The Bank's internet transaction platform and mobile banking have been recognised by both clients and external experts, as evidenced by a number of awards and distinctions, including, *inter alia*, EFMA Innovation Awards for Digital & Mobile Excellence (in 2014) and Most Disruptive Innovation (in 2013 and 2014). In 2016, mBank was named the Best of Digital Bank in Poland by Global Finance and distinguished in the Best Online Treasury Services category in this edition the annual contest. The Bank's mobile application received several national and international awards in 2017. The Bank's mobile authorisation won the Special Award in the Mobile Trend Awards 2016 competition. In addition, the mobile application secured the Bank the second place in the "Innovation" category of the Golden Banker 2017 competition. In February 2017, the Bank's mobile application was named one of the best in Europe (second place) according to Forrester Research (a global research and advisory company). At the same time, the Bank's application has been recognised as the easiest and most user-friendly. Taking the third spot in the ranking of "Newsweek's Friendly Bank", the application was also appreciated by Newsweek Polska which evaluated the quality of retail banking services.

The internet and mobile transaction platform supports a branch-light model, thereby giving the Group a low fixed cost base and a high degree of operating flexibility.

Prudent Risk Management

The Group views risk management as an essential part of its activities. It has a decisive influence on the Bank's choice of business strategies, selection of target customers and optimisation of profitability versus risks. The quality of its risk management constitutes part of the Group's competitive advantage. The Group's risk management system, which conforms to the highest market standards, includes up-to-date methodology and procedures of risk identification and measurement, and tools supporting measurement and monitoring of risk with respect to individual types of inherent risks in the Group's business.

The Group also considers that one of its competitive strengths is its efficient credit process and strict origination standards, both in respect of corporate and retail customers. At the end of 2017, the NPL ratio in the Group stood at 5.2 per cent., while the NPL ratio of the Polish banking sector stood at 6.8 per cent. (for the retail loans the ratios amounted to 5.2 per cent for the Group and 6.1 per cent. for the sector).

Nonetheless, the Group strives to continuously optimise its lending procedures and to actively manage and monitor individual customers' exposures.

Experienced and Dynamic Management Team driving a Culture of Innovation

The Bank has a highly qualified, stable and experienced senior management team. The Management Board is chaired by Dr Cezary Stypułkowski, currently the longest serving CEO of a leading financial institution in Poland, with 13 years' experience as CEO at Bank Handlowy S.A. (currently Citibank Group), three years' experience at PZU S.A. and more than six years' experience at the Bank. In addition, the Management Board comprises bankers with extensive experience of working in Polish and international financial institutions.

The senior management team has a strong track record and has been instrumental in the development of the Bank's business model, its culture of innovation and in delivering the Group's high levels of profitability on a consistent basis.

The Group's management strategy has helped the Group to maintain its leading position in the Polish banking market while consistently improving its financial performance amid a challenging economic environment marked by continued uncertainty in the financial markets globally.

Commerzbank as the Strategic Shareholder of the Group

Commerzbank is the principal shareholder of the Bank. As of the date of this Prospectus, Commerzbank holds shares representing 69.37 per cent. of the Bank's share capital and of the total number of votes at the General Shareholders' Meeting. Based on total assets, Commerzbank is one of Germany's leading banks for private and corporate clients. It has one of the densest branch networks of all German private-sector banks, through which all customer groups are served. With the two core segments "Private and Small-Business Customers" and "Corporate Clients" Commerzbank offers a comprehensive portfolio of banking and capital market services. Alongside its business in Germany, Commerzbank is also active internationally through its subsidiaries, branches and investments. The focus of its international activities lies in Poland and on the goal of providing comprehensive services to German companies in Western Europe, Central and Eastern Europe and Asia.

The Group benefits from its relationship with Commerzbank as its strategic shareholder, including access to foreign exchange-denominated funding provided by Commerzbank and operational and know-how support in various areas of business (for example, product development, risk management, and access to global capital markets).

Strategy of the Group

Financial aspirations of the Group reflect being among the leading banks in Poland

It remains the Group's strategic goal to be positioned among the leading banks in Poland in terms of key financial measures. Strategic financial targets for 2016-2020 are based on the Bank's ambitious assumptions with regards to cost effectiveness as well as returns. Moreover, the Bank's intention is to pay a dividend representing at least 50 per cent. of profits, subject to regulatory consent, as well as to further strengthen its funding base. The Group's financial aspirations are as follows:

- Cost-to-Income: to be one of the three most effective listed banks in Poland each year;

- Net Return on Equity: to be among the three most profitable listed banks in Poland from the return on equity standpoint adjusted for dividend distribution each year;
- Net Return on Assets: to be among the three listed banks in Poland with the highest return on assets by 2020;
- Common Equity Tier 1 capital ratio (CET1 ratio): to maintain the ability of a dividend pay-out in terms of the CET1 ratio and maintain the ratio minimum 1.5 percentage points above the minimum capital requirement for mBank;
- Loans-to-Deposits ratio (L/D ratio): to maintain the L/D ratio at a level not significantly higher than 100 per cent. each year.

In order to achieve its financial objectives the Bank intends to :

- grow while keeping the FTE base at a stable level,
- increase average revenues per client on an annual basis,
- enhance asset profitability through an active management of the Bank's balance sheet,
- strengthen funding independence through increasing volumes of covered bonds and client transactional deposits clients, and
- simplify, streamline, automate and digitalise all Bank processes to be a paperless bank.

The Group will selectively exploit attractive opportunities to expand business in the retail and corporate segments

Retail banking segment

The Group intends to increase its revenues by: (i) attracting new customers through the broad functionality of its current account products which are fully integrated with all of the Bank's retail products, (ii) offering cutting-edge transactional and mobile banking, (iii) improving its understanding of clients' behavioural and demographic patterns in order to identify their current and anticipated future needs and, as a result, increasing the number of products provided to its customers for whom the Bank is not currently its first choice and (iv) using advanced segmentation techniques for its retail customer base and real-time marketing tools to improve the relevance of communication, and hence intensify the sale of certain products and services, by offering products and services when clients want them.

In order to attract new customers, the Bank will seek to create products and services which more precisely meet the needs of younger customers, whilst leveraging its already strong position among young customers. The Bank has set acquisition of a one-third of 18-24 year-old clients entering the banking market in Poland as a key strategic goal.

The range of products and services the Group intends to cross sell include: (i) saving and investment products, (ii) non-mortgage lending products such as automatic pre-approved loan limits for certain customers, (iii) mortgage loans and (iv) other products such as transaction products, brokerage and bank-assurance products.

The Bank's activities are focused on strengthening the Bank's leading position in mobile and transactional banking. The Group's first approach will leverage on the Bank's best in class mobile banking application. More than one million clients regularly use the Bank's mobile application. Almost two thirds of the Bank's

active clients access the Bank's services via mobile channels, while the number of monthly logins with mobile devices has been higher than the number of monthly logins via desktops and laptops since July 2017.

The Bank will continue to seek new alternative, unconventional acquisition and distribution opportunities, including partnerships and co-operation with well-established market players from different industries. The acquisition of young customers will remain an important part of the Group's focus.

The Group integrated its private banking, wealth management and brokerage business in order to better address the needs of affluent customers. A greater focus on micro-businesses and SMEs will be leveraged by the Bank's competitive strengths, i.e. internet and mobile banking supported by quick processes. Both affluent and business customer segments in Poland have above average market growth potential in the following years.

The Group will aim to strengthen its current position in the Czech and Slovak markets. Existing gaps between Polish and foreign branches of the Bank with regards either to products or operational processes are being gradually closed. By applying best practices developed in Poland, the Group intends to strengthen its revenue generation capabilities in foreign branches.

Corporate and investment banking segment

The Group has been consolidating its strong market position in corporate and investment banking by building a competitive advantage in the large companies sub-group (K2, MidCaps) and maintaining its strong position in the large corporations sub-group (K1). The Group will also continue to improve its position in the small and medium-sized enterprises segment (K3), focusing in particular on businesses with a high growth potential and sophisticated banking requirements and which therefore aspire to develop into companies which would fall into the MidCaps sub-group category. This requires more effective use of the Bank's network of branches and offices and a focus on new areas of growth in the corporate and investment banking market. At the end of 2017, a new structure of Corporate and Investment Banking was introduced. Its main objective is to ensure dynamic development of the Bank in the K3 segment and maintain a strong position in the K2 segment. Moreover, the new structure places a greater emphasis on further streamlining and the simplification of the credit process, documentation, account opening process and introduction of new transactional packages alongside a number of improvements to enhance the client's banking experience .

The Group constantly introduces changes in its product range and sales and banking processes based on the expertise of the Bank's business lines and the best practices adopted in the Polish and international banking sectors. The Group intends to further develop its corporate transactional banking services, where the Bank has a leading market position and to increase sales of investment banking products. In 2017, the Bank's corporate clients gained access to a new version of the Bank's transactional system, mBank CompanyNet. The portal is easier to use, more intuitive and can be customised to match individual customer's expectations.

The Bank intends to further develop (i) servicing public finance business, (ii) realisation of business opportunities with Polish subsidiaries of international corporations, including Commerzbank's customers and (iii) financing projects conducted with the use of EU funds. The Group expects to attract new clients in all corporate banking segments and benefit from improved cross-selling by tailoring the range of products and services to the needs of corporate clients.

Active Balance Sheet Management

The Group seeks to diversify its balance sheet structure (both in terms of funding sources and tenors) and business activity to encompass a broad spectrum of products and customers segments within the Group. The Bank believes that a comprehensive approach to balance sheet management is based on three pillars of a healthy balance sheet: capital adequacy, stable funding and return on assets.

In the past the Group's CHF mortgage loan portfolio was predominantly funded by long-term CHF denominated senior unsecured funding from Commerzbank and subordinated CHF denominated bonds held by Commerzbank.

The Group has significantly reduced its reliance on funding from Commerzbank and has diversified its funding profile by repaying maturing loans and replacing them with increasing amounts of stable deposits, and by issuing senior unsecured bonds and issuing covered bonds through mBank Hipoteczny.

In 2016, the Bank repaid loans to Commerzbank in the amount of CHF 800 million. In 2017, the Bank repaid to Commerzbank loans in the amount of CHF 750 million and CHF 400 million of subordinated bonds, which were not eligible for inclusion in the Bank's Tier 2 capital. In February 2018, the Bank repaid CHF 350 million to Commerzbank and, in March 2018, two series of perpetual subordinated bonds in the amount of CHF 80 million and CHF 170 million (not eligible for inclusion in the Bank's Tier 2 capital from the beginning of 2018) were repaid. Simultaneously, the Bank drew a subordinated loan in the amount of CHF 250 million on the basis of an agreement concluded with Commerzbank in November 2017 (on 29 March 2018 the KNF gave consent for categorising this subordinated loan in the Bank's Tier II capital).

As at 31 December 2017, 35 per cent. of the CHF retail loan portfolio, which amounts to CHF 4,275 million, was funded by CHF long-term denominated loans and bonds (loans of CHF 863 million, including CHF 750 million from Commerzbank; subordinated bonds acquired by Commerzbank in the amount of CHF 250 million; and unsecured bonds of CHF 400 million issued by mFinance France S.A.). Long-term cross currency swaps and repos amounted to CHF 2,687 million, while reliance on short-term market instruments was marginal (CHF 75 million).

In order to further diversify its funding profile and to extend the maturities of its funding base the Group intends to continue to focus on sourcing diversified, long-term and attractively priced funding by, in particular, issuing senior unsecured and subordinated bonds in domestic and international markets and covered bonds secured with retail mortgage loans issued by mBank Hipoteczny. Strengthening the Group's funding self-reliance is also among the key goals of the funding strategy. A further increase of clients' transactional deposits is assumed as a key driver of the Group's funding strategy.

The Bank has adopted a systematic approach to balance sheet management in order to improve the structure of its assets and liabilities and to secure a long-term, stable diversified funding base.

Operations

The Group offers a broad range of retail, corporate, and investment banking services and products to individual retail customers, micro-businesses, small and medium-sized companies, large corporations, non-banking financial institutions and public sector entities (including large and medium-sized local governments).

The Group conducts its business through different business segments, which offer specific products and services targeted at specific client groups and market segments. The Group currently conducts its operations through the following business segments:

- The Retail Banking segment, which divides its customers into mBank customers and Private Banking customers and which offers a full range of the Bank's banking products and services as well as specialised products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (retail mortgage loans and non-mortgage loans such as cash loans, car loans, overdrafts, credit cards and other loan products), debit cards, insurance products, investment products, brokerage and leasing services offered to both individual customers and to micro-businesses.

The results of the Retail Banking segment include the results of foreign branches of the Bank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of: mFinance S.A., as well as the results of the retail segments of mLeasing Sp. z o.o. and mBank Hipoteczny S.A. Moreover, in 2016 this segment included the results of mWealth Management S.A. and the retail segment of Dom Maklerski mBanku S.A. until their integration with the Bank.

- The Corporates and Financial Markets segment, which is divided into two sub-segments:
 - (i) Corporate and Investment Banking sub-segment (business line), which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offer of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products is directly linked to the performance of certain underlying financial instruments such as foreign exchange options, interest rate options and stock options), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing, factoring and brokerage services.

The Corporate and Investment Banking sub-segment includes the results of the following subsidiaries: mFactoring S.A., Garbary Sp. z o.o., Tele-Tech Investment Sp. z o.o. as well as the results of the corporate segments of mLeasing Sp. z o.o. and mBank Hipoteczny S.A. Moreover, in 2016 this segment included the results of corporate segment of Dom Maklerski mBanku S.A. until the date of integration with the Bank.
 - (ii) Financial Markets sub-segment (business line) consists primarily of treasury, financial markets, and financial institutions operations, manages the liquidity, interest rate and foreign exchange risks of the Bank, its trading and investment portfolios, and conducts market making in PLN denominated cash and derivative instruments. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKI to support the Polish export market.

This sub-segment also includes the results of mFinance France S.A. as well as the results of mLeasing Sp. z o.o. and mBank Hipoteczny S.A. with regard to funding-related activities.
- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under "Other". This segment includes the results of mLocum S.A., mCentrum Operacji Sp. z o.o. and BDH Development Sp. z o.o.

The following table shows the gross profit of the Group's segments according to 2017 reporting structure for the periods indicated below.

Year ended 31 December

2017		2016	
Amount	per cent. of total	Amount	per cent. of total
<i>(PLN thousands)</i>		<i>(PLN</i>	

	<u>(audited)</u>		<u>thousands</u> <u>(audited)</u>	
Retail Banking (incl. Private Banking).	925,180	60.6	1,023,912	62.5
Corporates and Financial Markets	584,714	38.3	589,442	36.0
- Corporate and Investment Banking	505,602	33.1	498,581	30.4
- Financial Markets	79,112	5.2	90,861	5.6
Other.....	18,008	1.2	24,383	1.5
Total	1,527,902	100.0	1,637,737	100.0

Source: Consolidated Financial Statements

Retail Banking

Retail Banking in Poland

Overview

The Bank is one of the few financial institutions in Poland with an integrated internet offering, combining current accounts as well as investment and insurance products.

As at 31 December 2017, the Group serviced nearly 4.4 million individual retail customers in Poland.

The table below presents the growth of the Bank's customer base in Poland over the last five years.

	2013	2014	2015	2016	2017
Number of clients (<i>in thousands</i>)	3,556.3	3,789.4	3,866.3	4,182.5	4,437.0

Gross loans and advances to customers of the Retail Banking Segment in Poland (including subsidiaries) amounted to PLN 47.1 billion and amounts due to retail customers (including subsidiaries) stood at PLN 46.9 billion.

The Bank's retail banking products and services include current and savings accounts (including foreign currency accounts), term deposits, lending products (retail mortgage loans and non-mortgage loans such as car loans, cash loans, overdrafts, credit card and other loan products), debit cards, insurance and investment products and brokerage services offered to retail customers.

mBank Poland

Beginning in 2000, anticipating the development and increasing accessibility to the internet, the Bank established a direct digital retail banking model based on the internet, direct service through call centres, and, subsequently, mobile banking as well as other new technology-based solutions. Starting in 2001, it also operated a second retail banking brand, MultiBank, catering to the mass-affluent, affluent and micro-business enterprises segments. MultiBank was based on the omni-channel model in which the modern format of smaller, sales oriented branches was supported by internet and call centre channels. Both retail operations were merged in 2013 under the mBank brand following the implementation of the broader "One Bank Strategy". The customers of MultiBank were migrated onto the Bank's platform in October 2015.

The Group currently offers a broad range of products and services primarily targeted at young and aspiring professional customers who seek convenience and integrated end-to-end experience in banking services. The Bank also has dedicated services for micro and small business clients. The services include: online current and savings accounts (including foreign currency accounts), term deposits, lending products (retail mortgage loans and non-mortgage loans such as car loans, cash loans, overdrafts, credit cards and other loan products), debit cards, insurance and investment products as well as brokerage services. Customers have access to all of

the Bank's products and services and can manage their products online with one integrated transactional internet platform. The Bank provides an "Investment Fund Supermarket" and an insurance portal through which customers can manage their investment products and buy insurance products. Individual clients and small and medium-sized enterprises also have access to mKantor, which allows customers to carry out foreign exchange transactions via a mobile application.

On 2 October 2014, Orange Finanse, a joint-venture between the Bank and Orange Polska, Poland's leading telecommunications group, was launched. Orange Finanse offers banking products via a mobile application created for the Android and iOS platforms. The banking products provided by the Bank are also available via the transaction website www.OrangeFinanse.com and across several hundred Orange outlets. Basic products offered by Orange Finanse include a personal account and complementary products such as deposits, unsecured loans, credit and debit cards, products designed for micro-enterprises and a package of "benefits" for the clients of Orange Polska. As at 31 December 2017, Orange Finanse had 361,000 customers (excluding common customers with the Bank).

In the area of small and medium-sized enterprises (SME), in 2016, the Bank launched the mAccounting service which provides SMEs with functionalities, which so far have only been available to the Bank's corporate clients, including automatic monitoring of payments, quick invoicing, simplified invoice payment, analysis of business partners, electronic settlement of tax returns and up-to-date tax data.

Distribution Channels

The Bank uses the omni-channel model in its distribution model. It operates:

- cutting edge online banking;
- modern mobile banking;
- sales-effective call centre; and
- a top quality service, mid-sized physical distribution network.

Internet

The Bank's technologically advanced integrated internet banking platform serves as its primary distribution channel dedicated to retail customers. As an innovator in the market, the Bank has been constantly improving its internet transaction platform and launched the new mBank platform in 2013 with more than 200 new features, solutions and improvements, such as 24-hour assistance offered by online experts via video, voice or text chat, a mobile-enabled user interface, advanced and integrated personal financial management tools, redesigned customer-centric navigation and social media-integrated offers.

Through the Bank's internet banking platform, customers have access to many of the Bank's retail products and services, including, inter alia, accounts, deposits, investment products, brokerage services, cash, car and mortgage loans, insurance, FX platform, pension and comprehensive money transfer handling. Where more complex products and services require the execution of a written agreement with the Bank or paper-based documentation (e.g. providing collateral), the Bank's customers can file applications online and execute any required documentation at an outlet of their choice within the Bank's physical distribution network or have the documentation delivered to them via courier.

According to PRNews.pl, at the end of September 2017, mBank was ranked second in Poland in terms of the number of individual customers with access to internet banking (4,117,000 customers).

Mobile banking

More than one million clients regularly use the Bank's mobile application. Clients that log in to their accounts via the mobile banking application on a regular basis constitute 45 per cent. of all of the Bank's active retail clients (as at 31 December 2017, an increase from 26 per cent. as at 31 December 2016). Almost two thirds of active clients access the Bank's services via mobile channels, while the number of monthly logins with mobile devices has been higher than the number of monthly logins via desktops and laptops since July 2017. The share of clients accessing their bank accounts via mobile devices stood at 55 per cent. as at 31 December 2017 compared with 37 per cent. as at 31 December 2016, and 28 per cent. as at 31 December 2015. Almost 20 per cent. of all transfers processed by the Bank are via the mobile banking application. Moreover, 30 per cent. of travel insurance policies sold by the Bank are sold through the mobile banking application channel and one in every five cash loans generated by the Bank was granted via the mobile banking application.

The competitive advantage of the Group in mobile banking results from: (i) mBank's unique brand, including the pre-fix "m" which is easily associated with mobility; (ii) a relatively young customer demographic, who are relatively more technologically inclined and are therefore more receptive to new methods of accessing banking services and products; and (iii) the digitalisation of business processes, as a consequence of the Retail Banking Division's online, internet origins.

Telephone Banking

The Group has one call centre in Poland in Łódź (with a back-up location), providing high quality service to the Bank's existing and potential clients. The call centre operates 24 hours a day, seven days a week, 365 days a year. The scope of activities includes, among others, customer support for debit cards, credit cards and personal accounts; money transfers; providing information on the offers of the Group and selling selected products and services such as credit cards, cash loans, personal accounts and insurance products; and performing activation, anti-attribution and retention campaigns and processes.

Physical Distribution Network

As at 31 December 2017, the Bank's physical retail distribution channel in Poland consisted of the following:

- 102 mBank branches (formerly MultiBank);
- 24 light branches;
- 10 advisory centres;
- 123 mKiosks; and
- 41 Financial centres and agency service points of mFinanse.

ATM network

The Bank does not operate its own ATM network. From February 2017, the Bank introduced an ATM withdrawal fee for amounts lower than PLN 100. mBank's customers can use their Visa or MasterCard branded debit cards to access their accounts and withdraw money free of charge at all Euronet, BZ WBK S.A. and Planet Cash networks, if they withdraw at least PLN 100. Customers can avoid paying this fee if they use the BLIK service in mBank's mobile application. Customers are able to withdraw money from ATMs without a card by inputting a one-time security code displayed in their smartphone.

Private Banking and Wealth Management

The Bank's Private Banking service is dedicated to individuals holding with the Bank or the Group liquid assets of a minimum of PLN 1 million.

Private Banking & Wealth Management offers standard banking products (flexible current accounts in zloty or other currencies, negotiable term deposits, overdrafts, mortgage loans, bank insurance products, structured products, internet banking system, prestigious cards and concierge services), a wide range of investment funds (open and closed-end, domestic and foreign), brokerage services, selected commercial papers, treasury, municipal and international bonds, treasury bills, alternative investments, as well as standard and non-standard investment strategies.

Each customer has a dedicated relationship manager, who is responsible for the customer's relations with the Bank, the management of the customer's account and the execution of transactions in accordance with the customer's instructions.

In 2016, the Bank's Private Banking service was ranked the best in Poland for the eighth time by Euromoney and, in 2017 for the sixth consecutive year, received the highest Five-Star distinction awarded on an annual basis by Forbes magazine.

As at 31 December 2017, the Group had 6,356 Private Banking and Wealth Management customers.

Products and Services in Poland

Since 2000, the Bank has applied a client-oriented approach based on its modern online banking business model, focusing on anticipating trends in the banking sector in Poland and the development of products and services that will meet its clients' needs.

The Group's main retail products and services include current and saving accounts, business accounts for microbusinesses, credit products, deposit products, payment cards, investment products, insurance products, brokerage services, and leasing for microbusinesses.

The Bank's credit product offering comprises non-mortgage loans (**NML**), mortgage loans (**ML**) and credit products offered to micro-businesses. The Bank offers non-mortgage loans to both internal and external customers in the form of cash loans, car loans, consolidation loans, overdraft facilities and credit cards. The vast majority (over 90 per cent.) of unsecured loans are granted exclusively via electronic channels (online and mobile banking).

The Group offers residential mortgage loans in PLN. One of the strategic goals of the Bank is to refinance PLN mortgages with covered bonds. In August 2011, the Bank discontinued offering mortgage loans in CHF. The CHF mortgage portfolio therefore decreases every year due to repayments. At the end of 2017, the Bank's gross CHF mortgage loans to individuals amounted to CHF 4.2 billion and represented the majority of the total loans to retail customers.

The Bank has generated steady growth in sales of mortgage lending for micro-businesses since 2013. In order to provide the Bank's customers with credit-related support programmes, the Bank signed agreements with leading European financial institutions (such as the European Investment Bank (**EIB**)) and the Polish government. The programmes include de minimis loan guarantees under an agreement with Bank Gospodarstwa Krajowego and the EIB.

On the deposit side, the Bank focuses on savings and current accounts as well as term deposits. Saving accounts offer higher interest rates than current accounts, but there is a limit on free withdrawals per month. Customers interested in regular saving have access to a range of a retirement savings accounts and purpose savings accounts as part of "My objectives" programme, which allows customers to set aside a fixed amount

monthly or small amounts each time after payments, transfers or cash withdrawals from an ATM. Customers who are interested in depositing higher amounts of money can negotiate all the terms of deposit, such as duration and interest rate. To meet more sophisticated clients' needs, the Bank offers structured deposits that combine the features of capital protection until maturity with investment in diverse capital markets.

The Bank offers a wide range of debit cards linked to personal accounts, pre-paid cards and credit cards issued in conjunction with VISA and MasterCard. In 2017, the Bank's clients were offered the multi-currency card Visa Aquarius World. It is the first product of its kind in the Polish market, created in response to the needs of clients who need to make payments domestically and internationally. The card allows conversion into over 150 currencies with no commission charged, and withdrawals from ATMs around the world free of charge.

As at 31 December 2017, the number of debit cards issued by the Bank in Poland reached 3,138,100 which represented an increase of 9.1 per cent. compared to the previous year. The number of credit cards issued by the Bank stood at 325,900 as at 31 December 2017, representing an increase of 5.3 per cent. compared to 31 December 2016. In 2017, the value of payment card transactions made by mBank's retail clients in Poland exceeded PLN 31.5 billion, which represented a rise by 20.3 per cent. compared to the previous year.

The Bank entered into a strategic co-operation with leading banks in Poland relating to a joint standard for mobile payments. In response to the challenge of the on-going mobile technology revolution, in 2015 mBank together with five large national banks launched the local mobile payment system BLIK. This allows customers to pay with their mobile phones in retail and online stores, as well as to withdraw cash from ATMs and send P2P transfers. BLIK uses an open standard developed by Polish Payment Standard (PSP), a company formed by the Bank, Alior Bank, Bank Millennium, Bank Zachodni WBK, ING and PKO Bank Polski. The system is open to all market participants, including other banks and retailers, and supports all transaction types: purchase of goods and services, ATM withdrawal, ecommerce and P2P money transfers.

The Bank's offer includes an open platform of investment funds, "Investment Funds Supermarket". The platform provides customers with analytical information, as well as information tools enabling them to monitor and make investment decisions. The open platform of investment funds is fully integrated with customer current accounts. As at 31 December 2017, the investment fund assets of the Bank's retail clients in Poland reached nearly PLN 7.5 billion.

Brokerage services offered to retail clients include in particular securities accounts, stock trades in financial instruments listed on the WSE and placements of subscriptions/purchase orders in public or private offering of equity instruments, including shares, or debt instruments, as well as trades in derivatives. In 2017, the Brokerage Bureau generated 5.3 per cent. of all stock trades in Poland, 11.9 per cent. of all futures trades, and 12.8 per cent. of all options trades on the WSE.

In 2017, the Group continued its co-operation with AXA Group, one of the largest insurance institutions in the world, in order to enhance the quality of products and services offered for the Group clients and to expand the Bank's range of insurance products.

The Bank's clients can access insurance products using both electronic and mobile platform and in physical branches. The Bank is able to offer clients a range of insurance products including life insurance, term life insurance, commercial real estate insurance, travel insurance, civil liability insurance (OC), comprehensive motor insurance (AC) and healthcare insurance.

Retail Banking in the Czech Republic and Slovakia (mBank CZSK)

The Bank entered the Czech and Slovak market in 2007 as a retail internet bank. The product range includes both products and services for retail customers (current and savings accounts, deposits, credit and debit cards, mortgage and consumer loans as well as insurance), and for business owners (with overdrafts). The

Bank in the Czech Republic and Slovakia promotes a self-service model, in which customers operate their account via a mobile banking application, internet and telephone banking, as the Bank's branches serve mainly as advisory centres for arranging mortgage loans. In the Czech Republic, the Bank's retail distribution network consists of 11 financial centres and light branches and 12 mKiosks, and in Slovakia, the Bank's retail distribution network consists of four financial centres, one light branch in Bratislava and five mKiosks.

The Bank continues to strengthen its position in mobile banking. The year 2017 was marked by the launch of a new version of the mobile banking application (version 3.0) offering a refreshed interface and new features (such as fingerprint and face ID login and Android Pay). The new application was released under the Group's Mobile Bank strategy.

In 2017, the Bank extended its offering in the Czech Republic and in Slovakia by adding new features which enable comprehensive mobile-only management of banking products (for example, mobile card activation). In June 2017, the Bank introduced a unique function to allow Slovak customers the option to invest in mutual funds free of charge on the internet. Over 2,000 investment accounts were opened as at 31 December 2017.

The number of customers in the Czech Republic and Slovakia grew by nearly 36,300 in 2017. As at 31 December 2017, mBank in the Czech Republic and Slovakia had more than 905,300 customers (nearly 633,600 at mBank CZ and 271,800 at mBank SK).

The table below presents the growth of the Bank's customer base in the Bank's foreign branches over the last five years.

	2013	2014	2015	2016	2017
Number of clients (in thousands)	673.1	762.1	796.4	869.0	905.3

The Bank's foreign operations successfully grew both loan portfolios levels and levels of customer deposits. mBank CZSK's gross loan portfolio increased by 3.3 per cent. for the year ended 31 December 2017 and reached PLN 4.4 billion (PLN 3.6 billion at mBank CZ and PLN 0.8 billion mBank SK). Deposits in the Czech Republic and Slovakia stood at PLN 8.9 billion as at 31 December 2017 (PLN 6.3 billion at mBank CZ and PLN 2.5 billion at mBank SK), which represents an increase of 11.8 per cent. year on year.

Retail Banking segment includes the following subsidiaries:

- mBank Hipoteczny S.A. (the retail segment of the company's activity);
- mFinanse S.A. (formerly Aspiro S.A.); and
- mLeasing Sp. z o.o. (the retail segment of the company's activity).

The Retail Banking segment also previously included the results of mWealth Management S.A. and the retail segment of Dom Maklerski mBanku S.A. until their integration with the Bank. The integration of the brokerage operations of mBank S.A. and Dom Maklerski mBanku S.A. into an expanded brokerage bureau of mBank was completed in May 2016. The integration of the brokerage entities of the Group allowed the Bank to optimise the portfolio of brokerage services offered to both individual and institutional client groups.

Services Provided by Bank's Subsidiaries within Retail Banking

mBank Hipoteczny

mBank Hipoteczny S.A. is a specialised bank established and functioning under the Act on mortgage bonds and mortgage banks of 29 August 1997. Its primary specialisation involves the issuance of covered bonds.

mBank Hipoteczny has a long track record of issuing covered bonds on the Polish capital markets. As at 31 December 2017, the value of mortgage covered bonds issued amounted to PLN 6.4 billion. This specialisation determines the scope of products offered by mBank Hipoteczny. mBank Hipoteczny offers loans to finance commercial real estate clients and loans to finance housing projects for real estate developers. In the past mBank Hipoteczny, also offered mortgage loans for individuals.

As of the end of July 2017, the entire sale of mortgage loans for financing residential real estate for individuals is carried out exclusively by the Bank as part of a uniform sales and loan service process. Therefore an approach based on the purchase of receivables from the Bank has replaced the previous lending model based on the sale of mortgage retail loans directly by mBank Hipoteczny.

As at 31 December 2017, mBank Hipoteczny's gross loan portfolio was PLN 10.9 billion (an increase of 14.4 per cent. in comparison with 2016). This change was driven primarily by an initial increase in the retail portfolio in the first three quarters of 2017, until such retail sales were transferred from mBank Hipoteczny to the Bank.

Covered bonds issued by mBank Hipoteczny are characterised by low investment risk, which is a result of the statutory obligation to apply complex security mechanisms while issuing and trading in such instruments. This has been affirmed by the ratings assigned by Fitch Ratings to mBank Hipoteczny's mortgage covered bonds. In June 2017, the rating of mortgage covered bonds was affirmed at "A".

mFinanse

mFinanse S.A (formerly Aspiro), originally founded in July 2005, acts as a distribution agent and financial adviser for banking products and services, including the Bank's products and services. mFinanse enters into distribution agreements with the Bank and other banks and financial institutions operating in the Polish market under which it sells retail banking products through a distribution network which it operates. As at 31 December 2017, mFinanse offered products of 17 financial entities, in more than 164 outlets across Poland.

mFinanse also operates as an insurance agent in the scope of mortgage, cash, account, cards and leasing loans insurances within the Group. The fourth quarter of 2017 was marked by the sale of part of mFinanse's operations related to insurance intermediary services in the area of group insurance. The transaction was completed on 27 March 2018.

mLeasing

mLeasing is one of the largest leasing companies in Poland.

In the retail sector, mLeasing operates the "Leasing in Retail" programme targeted at micro-enterprises and SMEs, which are offered lease contracts using dedicated lease processes. During the year ended 31 December 2017, mLeasing financed fixed assets obtained in cooperation with Retail Banking worth PLN 567.8 million.

More information on the company can be found in the section "Corporates and Financial Markets", below.

Corporates and Financial Markets

The Corporates and Financial Markets segment includes two business lines: Corporate and Investment Banking, which is the key area of customer relations and Financial Markets Business, which manages liquidity and market risks, as well as client relationships with financial institutions.

Corporate and Investment Banking

Overview

As at 31 December 2017, the Bank serviced 22,048 corporate customers (up by 1,108 corporate clients compared to 31 December 2016).

Corporate Banking Customers are divided into three segments:

- (a) K1 customers, which are capital groups and large companies with annual revenues exceeding PLN 1 billion, the largest public sector entities (including the largest local governments), state funds and since 1 January 2014, non-bank financial institutions (including pension and investment funds, and insurance companies);
- (b) K2 customers, which are medium-sized enterprises with annual revenues of between PLN 50.0 million and PLN 1 billion and medium-sized public sector companies (including local governments); and
- (c) K3 customers, which are small and medium-sized enterprises with annual revenues up to PLN 50 million.

The table below sets out Corporate Banking Customers by segments over the last five years.

	2013	2014	2015	2016	2017
K1	1,255	1,838	1,983	2,123	2,093
K2	5,022	5,144	5,748	6,067	7,088
K3	10,056	10,805	11,831	12,750	12,867

The Bank holds a strong position in the corporate banking segment in Poland. According to NBP data as at 31 December 2017, the Bank had a market share of 6.4 per cent. in corporate loans and 9.6 per cent. in corporate deposits.

Distribution Channels

Corporate clients are serviced through 29 corporate branches and 17 corporate offices located in the largest cities throughout Poland. Additionally, corporate clients are serviced by the Bank's subsidiaries' outlets, including 21 mLeasing outlets, eight mFactoring outlets and five mBank Hipoteczny outlets. Each corporate client is provided with full relationship banking services by a team of experts dedicated to developing the individual customer's relationship with the Bank and its respective subsidiaries. Each team comprises a client relationship manager responsible for each aspect of the customer relationship, a business analyst and product advisers from key product lines, as well as a risk officer. This business model allows the Group to provide its corporate clients with tailor-made products and services to support their business needs. Factoring and leasing products are also distributed through the channels of the mBank subsidiaries.

Corporate clients are also serviced by a modern, convenient and technically advanced online banking platform: mBank CompanyNet, which allows them to monitor and manage accounts to execute transactions (such as domestic and foreign transfers, selected trade finance transactions, foreign exchange transactions, cash operations and deposits). For convenience and flexibility purposes, in 2013 the Bank launched a mobile banking application.

Products and Services

Transactional Banking

Cash management is a service offered by Corporate Banking, which facilitates client planning, monitoring and management of liquid assets, cash processing, as well as electronic banking. The solutions offered aim to

facilitate daily financial operations, enhance effective cash flow management, and optimise interest income and costs.

The Bank offers its corporate clients transactional banking solutions ranging from traditional transactional banking products to specialised, tailor-made products.

The standard traditional transactional banking products include accounts (in all major foreign currencies), transfers (domestic and foreign), cash operations management, credit, pre-paid and payment cards, foreign exchange transactions, overdrafts, overnight deposits and term deposits.

A significant majority of the Bank's transactional banking products are available through mBank CompanyNet - an internet-based electronic banking system. In the first half of 2017, the Bank implemented a new version of mBank CompanyNet, which is easier to use and offers greater customer customisation. Corporate clients can also use the advanced mobile application mBank CompanyMobile.

Specialised, tailor-made transactional banking products include advanced liquidity management services (such as cash pooling, consolidation of balances, term deposits) and advanced cash management products, including mass payment collection and identification services, as well as financial surplus management.

In addition to traditional business accounts, the Bank provides its corporate clients with escrow and securities accounts (including escrow accounts dedicated to real estate developers and custody services provided to most sophisticated non-bank financial institutions). The Bank's product range also includes packages of integrated products and services dedicated to SMEs.

Short-term and long-term financing

The Bank provides short-term financing through overdraft facilities and revolving loans, as well as comprehensive packages of short-term multi-product and multi-currency financing (an umbrella credit facility including commercial working capital financing as well as a wide range of guaranties, and trade finance products).

The Bank offers tailor-made, long-term financing dedicated to customers' investments needs which is adjusted to the complexity, profile, scope, structure and tenor of specific projects.

The Bank also offers loans granted in co-operation with BGK, EIB and EU funds which are aimed at supporting SMEs and special types of investments (in compliance with the criteria of various EU programmes and priorities). In March 2017, the Bank signed a new agreement with the EIB to open a EUR 100 million credit line dedicated to financing projects and obligations related to the production cycle of SMEs (entities with less than 250 employees) or MID-CAPs (entities with a headcount ranging from over 250 to less than 3,000 employees). In September 2017, the Bank obtained an additional credit line from EIB in the amount of CHF 113 million (equivalent to EUR 100 million).

Structured finance

As part of the Corporate and Investment Banking segment, the Bank offers structured and mezzanine financing, including mergers and acquisition finance, project finance and syndicated finance.

Investment banking and market risk hedging instruments

Investment banking and hedging instruments complement the core transactional banking products and services offered to corporate clients. The Group offers to its corporate clients ECM services and M&A advisory services with regard to both private and publicly traded companies as well as offers debt origination and primary and secondary market trading in a wide range of corporate bonds of various tenors. In addition, the Bank may participate in raising funds required for M&A processes. The Group also offers its corporate

clients corporate finance services, including economic and financial analyses of companies, valuations of companies, assessments of investment projects, equity research, preparation of business plans, business due diligence processes, and fairness opinion analysis.

The Bank also provides a wide range of brokerage services and financial advice with regard to equity and debt capital markets transactions. In addition to advisory services, the Bank also offers soft underwriting services for the above types of capital markets transactions.

The Bank provides its customers with market risk hedging instruments (FX, IR and commodity pricing derivative instruments). Market risk hedging instruments enable corporate clients to manage their foreign exchange, interest rate and commodity risk through the use of derivative instruments such as interest rate swaps, FX forward, FX and IR swap transactions, FX and IR call and put options, and various option strategies. The Bank's liquidity management and investment products include negotiable term deposits, debt securities and sell/buy-back or repo transactions. Sales of hedging instruments as well as debt securities are conducted by dedicated corporate sales representatives who are located both at the Bank's headquarters in Warsaw and in selected corporate branches.

The Group holds a strong market share in selected investment banking services. The core products and services provided by the Bank to non-bank financial institution clients include liquidity management, treasury bonds and debt securities, as well as hedging instruments, and custody services.

As at 31 December 2017, the Bank maintained a market share of 14.8 per cent. in treasury bills and bonds and 12.5 per cent. in interest rate swaps/forward rate agreements (IRS/FRA) contracts. The Bank is active issuer of debt instruments for corporate clients. As at 31 December 2017, the Bank's market share in the non-treasury debt market consisted of 12.9 per cent. of corporate debt, 7.4 per cent. of short-term debt and 31.2 per cent. of mid-term bank debt (*source: NBP, Fitch Polska S.A., Rating & Rynek*).

Trade Finance Products

The Bank offers a wide range of trade finance products including various types of guarantees, documentary collections, letters of credit, receivables assignment and forfeiture services. These products are designed to mitigate companies' risk related to the non-performance of a contract.

The following subsidiaries operate within the Corporate and Investment Banking sub-segment:

- mLeasing Sp. z o.o. (the corporate segment of the company's activity)
- mFaktoring S.A.
- mBank Hipoteczny S.A. (the corporate segment of the company's activity)
- Garbary Sp. z o.o.
- Tele-Tech Investment Sp. z o.o.

Services Provided by Bank's Subsidiaries within Corporates and Institutions

mLeasing

mLeasing offers different types of leasing products to its corporate clients, including the leasing of personal and commercial vehicles, heavy transport vehicles, car fleet management, the leasing of machinery and equipment and the leasing of real estate. According to data from the Polish Leasing Association, as at 31 December 2017, mLeasing's market share in Poland amounted to 7.4 per cent. and the company was ranked fourth in terms of new sales of lease contracts. The value of movables contracts in the year ended 31

December 2017 amounted to PLN 4.6 billion, compared with PLN 3.9 billion in the previous year, while the value of real estate leasing contracts in the year ended 31 December 2017 stood at PLN 0.3 billion, compared with PLN 0.1 billion in the previous year.

mFactoring

mFactoring offers factoring services including domestic and export recourse and non-recourse factoring, maintenance of debtors' settlement accounts, enforcement of receivables and import guarantees. According to the Polish Factors' Association (the **PZF**) the company's market share in 2017 stood at 7.4 per cent. with the total value of its factoring turnover amounting to PLN 13.7 billion.

Tele-Tech Investment

The company's core business involves investment in securities and trading in receivables, executing securities transactions on its own account, management of controlled companies as well as business and management consulting services.

Financial Markets

Overview

The Bank's Financial Markets sub-segment is divided into the following departments: (i) Treasury Department, (ii) Financial Markets Department, (iii) Financial Markets Sales Department, (iv) Financial Institutions Department, (v) Institutional Clients Department (vi) Custody Department and (vii) Financial Markets Business Development Department.

The financial results of a Financial Markets subsegment also include the results of mFinance France S.A., the results of mLeasing Sp. z o.o, and the results of mBank Hipoteczny S.A. with regard to activities concerning funding and operates as a market maker.

Treasury Department

The Treasury Department is responsible for the Bank's liquidity management, asset and liability management (**ALM**) and the interest rate risk management of the banking book. In addition, the Treasury department implements the decisions of the Asset and Liability Committee (**ALCO**), which is composed of certain Management Board members and department heads and is responsible for strategic decisions in relation to the Bank's liquidity which is managed mainly through money market transactions, foreign exchange swaps, interest rate derivatives, the purchase of Treasury bills and bonds and monetary bills of the NBP and repo transactions as well as the issuance of short to long-term debt instruments in the local and also foreign debt capital markets. The treasury department together with the controlling department sets internal transfer prices for loans and deposits and manages the interest rate models in the banking book. Furthermore, the treasury department is responsible for the funding activities of the Bank in the domestic and international capital markets.

Financial Markets Department

The main activities of the Financial Markets Department include:

- managing the foreign exchange risk of the Bank, interbank foreign exchange trading (spot and derivatives), interest rate instruments trading (government bonds and bills, interest rate derivatives); and
- trading and sale of non government debt securities.

Financial Markets Sales Department

The Financial Markets Sales department is responsible for, inter alia:

- direct sales of financial markets products to corporate banking, SME clients and selected Private Banking clients; and
- structuring financial products in the area of foreign exchange, fixed income and commodities as well as development of appropriate systems used in their distribution.

Financial Institutions Department

The Financial Institutions Department is responsible for establishing and maintaining relationships with other banks, providing current accounts, overdrafts and loans, including syndicated loans and loans guaranteed by KUKI to support the Polish export market. The Financial Institutions Department is also responsible for arranging loans in the interbank market.

Institutional Clients Department

The main activities of the Institutional Clients Department include:

- direct sales of financial markets products to non-banking financial institutions (such as pension funds, mutual funds, asset management companies) and selected Private Banking clients; and
- supervision (by the head of the Department) over the sales of equity products made by and equity research carried out by Dom Maklerski mBanku.

Financial Markets Business Development Department

The main activities of the Financial Markets Business Development Department include:

- developing solutions and resources with special emphasis on the product offer, document infrastructure and systems; and
- ensuring that appropriate processes are used in the financial markets sales area.

Custody Services Department

The main activities of the Custody Services Department include:

- direct sales of custody services to corporate customers, non-banking financial institutions and selected banks;
- provision of custody services for all types of domestic securities as well as foreign securities; and
- depository functions for pension and investment funds.

The following subsidiaries operate within the Financial Markets sub-segment:

- mFinance France S.A.
- mBank Hipoteczny S.A. (in relation to funding activities)
- mLeasing Sp. z o.o. (in relation to funding activities)

mFinance France S.A.

The core business of mFinance France S.A. is to raise funds for the Bank by issuing notes on the international capital markets. mFinance France S.A. established and, until the date of this Base Prospectus, maintained the Programme. The Bank guaranteed the obligations of mFinance France S.A. under the Programme.

The following table presents a summary of notes issued under the Programme which are currently outstanding.

Issue Date	Nominal value	Redemption Date	Coupon
25 September 2013	CHF 200 million	8 October 2018	2.500%
22 November 2013 PP	CZK 500 million	6 December 2018	2.320%
24 March 2014	EUR 500 million	1 April 2019	2.375%
20 November 2014	EUR 500 million	26 November 2021	2.000%
26 September 2016	EUR 500 million	26 September 2020	1.398%
28 March 2017	CHF 200 million	28 March 2023	1.005%

Employees

Employment Structure

The table below presents the number of employees employed (expressed in Full Time Equivalents - FTE) by the Bank and the Group as at the indicated dates.

	Number of Employees as at 31 December	
	2017	2016
Bank.....	5,414	5,364
Subsidiaries (consolidated)	1,041	1,164
Total	6,455	6,528

Source: The Bank

Training programmes offered to the Bank's employees are aimed at developing the employee's competencies. The training policy is focused specifically on the improvement of the qualifications and skills of key employees, providing training in introducing new technologies and developing techniques aimed at increasing sales effectiveness. These objectives are supported by unifying the rules on the eligibility of employees for specialist training and implementing solutions to improve internal communication.

Pursuant to the Bank's internal regulations, all the employees are entitled to additional medical services under health care packages.

The Bank enters into two types of non-compete agreements with its Management Board members and its employees for the duration of their employment as well as for a period post-employment.

As at the date of this Base Prospectus, there are no trade unions operating at the Bank.

In the period from 1 January 2011 until the date of this Base Prospectus, there have been no strikes at the Bank or its subsidiaries, and the Bank or its subsidiaries have not been a party to any collective labour disputes.

In 2017, total income per employee in the Group, calculated by dividing total income by the average number of FTEs, stood at PLN 686.1 thousand compared to PLN 658.4 thousand in 2016. The average number of FTEs is calculated on the basis of the number of FTEs as at the beginning of the year and at the end of each quarter.

Employees' Involvement in the Bank's Capital

The Bank provides two employee incentive programmes both for members of the management board and employees of the Bank: (i) the employee programme for key management staff of the Group; and (ii) the Incentive Programme for the Management Board members of the Bank. These programmes grant bonds convertible into shares of the Bank. In 2017, the Bank issued 31,995 shares pursuant to these incentive schemes.

IT and Operations

The Bank has a centralised and integrated computer system in place which covers its entire distribution network in Poland. The Management Board believes that the telecommunication infrastructure meets market standards and is protected with a business continuity solution which is tested regularly.

The Bank possesses an application environment, which allows for effective management of operating costs and enables future developments. The Bank uses more than 150 applications, out of which approximately 80 support the core business of the Bank.

The information technology systems of material importance to the operations of the Bank are: (i) Globus – the Group's central transaction and accounting system for corporate and investment transactions which also serves as the legacy system, (ii) Altamira – a system used in the Retail Banking segment for providing complex services to customers with respect to banking products through access to the database of the Group's products, (iii) HDB – a comprehensive, common and structured source of historical information regarding corporate, retail, investment and private banking information of the Group (it acts as a data warehouse for all IT related information of the Group), (iv) Kondor 2.6 – which registers all transactions conducted by dealers and presents the transaction data in a form that allows for it to be assessed by risk management (it also reports on risk and profitability from concluded transactions and controls limits), (v) UniFlow – the workflow tracking tool for the Retail Banking segment with all other credit applications running through it; (vi) CRD SE – the Group's credit risk calculation tool which assists in the obligatory process of measuring the capital adequacy of the Bank and the Group calculating the credit risk exposure of the Group; (vii) CRM – which handles customer relation management for corporate and retail customers; and (viii) applications for ERB settlements (dealing with the NBP with respect to all collateral management matters) and applications that help to restructure the Group's suppliers (e.g. ALGO, SWAM, Collateral and Custody).

Some of the IT systems material to the operations of the Bank and its subsidiaries have been acquired from external suppliers (e.g.: Globus, Altamira, Kondor 2.6, UniFlow, ALGO and Custody) and are utilised and/or further developed (Globus, Altamira and UniFlow) by the Group under standard software licence agreements. The other systems referred to above have been developed internally by the Bank. Furthermore, the Group has secured maintenance and service support in the event of any IT system breakdowns, as well as IT system updates. As at the date of this Base Prospectus, neither the Bank nor any of its subsidiaries is dependent on any key suppliers of IT services and can replace them at any given point in time.

Ratings

The table below sets forth information regarding the ratings assigned to the Bank as at the date of this Base Prospectus.

	Fitch Polska	Standard & Poor's Credit Market Services Europe Limited
Long-term rating of deposits/liabilities	BBB	BBB+
Short-term rating of deposits/liabilities	F2	A-2
Support rating	2	-
Viability rating	bbb-	-
SACP	-	bbb-
Outlook of long-term rating	stable	negative

Source: Fitch Polska S.A. and S&P Global Ratings

Standard & Poor's Credit Market Services Europe Limited (**S&P Global Ratings** or **S&P**) has assigned the long-term credit rating BBB+ (negative outlook) to the Bank. According to S&P's rating definitions, an obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. A positive (+) or negative (-) sign denotes relative standing within the major rating categories. An S&P Global Ratings outlook assesses the potential direction of a long-term credit rating over an intermediate term (typically six months to two years). A positive designation means that a rating may be raised and a negative means that a rating may be lowered.

S&P Global Ratings has assigned a short-term credit rating A-2 to the Bank. Pursuant to S&P's rating definitions, the assigned short-term credit rating of the Bank means the "obligor... has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category."

On 9 June 2015, S&P Global Ratings downgraded the Bank's long-term counterparty credit rating to BBB from BBB+. This rating action followed a downgrade by S&P Global Ratings of the ratings assigned to Commerzbank AG and other German banks and was the outcome of a review by S&P Global Ratings of the implications of the introduction of the BRRD in Germany and the reduced prospects of extraordinary government support. On 28 March 2017, S&P Global Ratings upgraded the Bank's long-term rating from BBB to BBB+ as a result of the upgrading of the rating of Commerzbank from BBB+ to A-. The long-term rating outlook for the Bank after the upgrade is negative, which mirrors the negative outlook for Commerzbank's long-term rating.

Fitch Polska S.A. (**Fitch**) has assigned the Bank a long-term credit rating of BBB (stable outlook). Pursuant to Fitch's rating definitions, BBB ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered strong, but adverse business or economic conditions are more likely to impair this capacity. Stable outlook indicates the rating is likely to be stable over a one- to two-year period.

Fitch has assigned the Bank a short-term credit rating of F2. Pursuant to Fitch's rating definitions, the assigned short-term credit rating of the Bank denotes good short-term credit quality. The intrinsic capacity for the timely payment of financial commitments is good.

On 19 May 2015, Fitch downgraded the Bank's Long-term IDR and senior debt rating to BBB- (positive outlook) from A (negative outlook) following the downgrade of Commerzbank AG. The Bank's short-term IDR was downgraded to F3 from F1 and the Support Rating was lowered to '2' from '1'. The rating action, taken in conjunction with Fitch's review of sovereign support for banks globally, reflected Fitch's view that

after the implementation of the "Bank Recovery and Resolution Directive", sovereign support can no longer be relied upon. On 7 March 2016, Fitch upgraded the long-term IDR for the Bank and the long-term senior unsecured debt rating from BBB- to BBB. The Bank's short-term foreign currency IDR and the short-term senior unsecured debt rating were raised from F3 to F2. The outlook for the long-term rating is stable. The upgrade of the Bank's ratings was driven by the upgrade of the long-term rating of Commerzbank AG from BBB to BBB+. mBank's IDRs, Support Rating and senior debt ratings reflect Fitch's view of a high probability that mBank would be supported by Commerzbank, if required. On 8 December 2017, Fitch affirmed all the ratings and the outlook on the Bank's long-term rating.

Fitch and S&P are established in the European Union and are registered under the CRA Regulation. As such Fitch and S&P are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

In 2013, the Bank elected to cease soliciting ratings from Moody's Investors Service (**Moody's**). Any ratings published by Moody's ratings entities in connection with the Bank are unsolicited and are based purely on publicly available information. Such ratings are therefore not disclosed in this Base Prospectus.

Material Contracts

In the course of its operations, the Bank concludes various contracts as a matter of day-to-day business. Where mandated by law, the Bank reports the execution and discloses the terms of such agreements, in particular in the form of relevant current reports published by the Bank, as a public company with shares listed on a regulated market and hence bound by the reporting obligations set out in the Public Offering Act, secondary legislation thereto and other applicable provisions of law.

The Group has entered into a number of financing arrangements with the Commerzbank Group comprising bilateral facility agreements (mostly denominated in CHF), a CHF subordinated loan and, in the case of certain other members of the Group as borrowers, funding agreements mostly denominated in EUR and PLN.

The Group believes these transactions constitute typical and routine transactions in the ordinary course of business concluded on market terms.

The above financing arrangements provided by Commerzbank have been used for the general financial requirements of the Bank.

The agreements implementing these arrangements contain clauses typical of facility agreements, including (i) a pari passu clause; (ii) a negative pledge (however, not all of the facility agreements contain a negative pledge); and (iii) a change of ownership clause under which the Bank may be required to repay all outstanding loans with all outstanding interest and associated costs if Commerzbank ceases, directly or indirectly, to own at least 50 per cent. plus one share of the Bank's share capital or a corresponding majority of the total number of votes in the Bank.

As at 31 December 2017 and 2016 the total outstanding indebtedness (including loans, subordinated liabilities and other liabilities) of the Group to the Commerzbank Group was the equivalent of PLN 3.8 billion and PLN 9.3 billion respectively. The total outstanding short-term indebtedness of the Group to the Commerzbank Group was the equivalent of PLN 2.9 billion as at 31 December 2017 and PLN 3.5 billion as at 31 December 2016.

In addition to the above, as at 31 December 2017, the Group indebtedness (including loans and subordinated liabilities) to banks and other institutions other than Commerzbank was as follows:

- Euro denominated loan agreements with the European Investment Bank: PLN 4.1 billion;

- loan agreement with Industrial and Commercial Bank of China (Europe) under which ICBC granted mBank a three-year Euro-denominated loan: PLN 0.5 billion;
- loan agreements with other banks: PLN 0.2 billion; and
- debt securities issued: PLN 14.3 billion.

Insurance Coverage

The Bank maintains insurance coverage against risks of physical damage or loss to fixed assets. The Bank has insurance coverage against fire, lightning, hurricane, hail, flood, earthquake and others as well as theft and burglary, acts of vandalism, riots, strikes and acts of terror. Moreover, the Bank has insurance coverage against civil liability towards third parties for any assets held or activities conducted with professional business activity covered under its professional liability policy. Insurance policies are renewed annually.

The Bank maintains professional liability insurance coverage for its business in connection with potential customer claims due to errors, mistakes or wrongful acts committed by the Bank and/or its employees during rendering of professional services. In addition, the Bank is insured against banking crime risks, with such insurance specifically covering damages related to money, funds or property misappropriated by employees and for damages resulting from unauthorised operations by a third party related to information technology crimes.

The Bank believes that its insurance coverage is in line with market practice for banks in Poland.

In addition, the members of the Management Board and the Supervisory Board and the members of the management and supervisory boards of certain subsidiaries are subject to civil liability insurance related to their functions, including director and officer liability insurance (D&O). Such civil liability insurance is covered by Commerzbank's insurance.

The Bank believes that its insurance coverage is in line with market practice for banks in Poland.

Significant Tangible Assets

The table below presents, at the dates indicated the various categories of the Group's tangible assets.

	As at 31 December	
	2017	2016
	<i>(PLN thousands) (audited)</i>	
Tangible assets including.....	623,228	682,812
Land.....	1,038	1,335
Buildings and structures	162,546	186,928
Equipment.....	161,574	174,152
Vehicles.....	224,964	239,399
Other fixed assets ¹	73,106	80,998
Fixed assets under construction ²	135,510	74,559
Total tangible assets	758,738	757,371

Source: Consolidated Financial Statements

¹ Other fixed assets include improvements in outlets of the Bank, furniture, deposit ATMs, night depositories and similar equipment

² Fixed assets under construction included mainly improvements related to work not completed at the year-end, incurred in relation to modernisation of own buildings and air-conditioning.

As at the date of this Base Prospectus, the material existing tangible assets of the Group are real estate properties. The material real estate of the Group is owned by the Bank.

Significant Intangible Assets

As at the date of this Base Prospectus, the most significant intangible asset of the Group is its computer software as presented in the table below.

	As at 31 December	
	2017	2016
	<i>(PLN thousands) (audited)</i>	
Goodwill.....	3,532	3,532
Patents, licences and similar assets, including:	379,288	347,524
- computer software	264,764	268,308
Other intangible assets	3,150	4,082
Intangible assets under development	324,672	227,525
Total intangible assets	710,642	582,663

Source: Consolidated Financial Statements

Regulatory Issues

The operations of the Group carried out in the financial sector are subject to supervision and the need to obtain relevant permits by the Group.

The activities subject to supervision are carried out by the Bank and its subsidiary: mBank Hipoteczny.

The operations of the Group are subject to the strict supervision of the KNF and other supervisory authorities and are in accordance with EU and Polish regulations and the provisions of local law, as well as with specific recommendations, instructions, guidelines and operational and equity-related requirements (see Market and Legal Environment). In the course of its business the Group is subject to various inspections, checks, audits and inquiries conducted by different regulatory authorities supervising the financial services sector and other areas of activities of the Group.

Legal, Administrative and Arbitration Proceedings

Introduction

To the best of the Bank's knowledge, as at the date of this Base Prospectus, the Bank and its subsidiaries are party to 2,943 court cases, in 611 of which it is the plaintiff and in 2,332 the defendant. To the best of the Bank's knowledge, as at the date of this Base Prospectus, the total value of claims in which the Bank is acting as defendant amounts to some PLN 1,107,115 million, while the total value of claims brought by the Bank amounts to some PLN 707.2 million. As at the date of this Base Prospectus, the total value of the provisions created against any litigation amounts to PLN 102.2 million.

According to information available to the Bank, as at the date of this Base Prospectus and over the 12 months preceding the date of this Base Prospectus, no administrative, civil, arbitration or criminal proceedings, which could have impacted or recently have impacted the financial position of the Group or its operating results, other than the proceedings described in this Base Prospectus, were pending against the Bank or the Group companies.

Material court proceedings pending within 12 months before the date of this Base Prospectus

Proceedings related to foreign exchange derivative transactions

As at the date of this Base Prospectus, the Bank is a party to nine court proceedings related to foreign exchange derivative transactions (futures transactions, CIRS, foreign exchange options). Of these nine court proceedings, in seven cases the Bank is the defendant and in two cases it is the plaintiff. The aggregate value of claims subject to court dispute in these cases amounts to PLN 160.0 million. The highest individual claim is for PLN 100.2 million by Piecexport-Piecbud S.A. (PCX) before the Court of General Jurisdiction.

It is possible that 11 further clients will institute similar claims against the Bank to avoid paying their obligations under derivative contracts entered into with the Bank.

*Lawsuit brought by Bank Pekao S.A. (previously BPH S.A.) against Garbary Sp. z o.o. (**Garbary**) and lawsuit brought by Bank Pekao S.A. (previously BPH S.A.) against the Bank and Tele-Tech Investment Sp. z o.o. (**TTI**)*

In 2005, a claim was brought by Bank Pekao S.A. (formerly BPH S.A.) in relation to a dispute involving the value of certain rights of usufruct over land and related buildings that were contributed in kind to the capital of Garbary as payment for a share in ZM Pozmeat S.A. worth approximately PLN 100,000,000. The value of the dispute is estimated at PLN 42,854,000. Since 2005 there have been various judgments at the District Court, Court of Appeal and Supreme Court. On 5 August 2015, the Supreme Court refused to consider an annulment appeal filed by the Bank.

In November 2007, BPH S.A. brought to court a case for damages in the amount of PLN 34,880,000 plus statutory interest from 20 November 2004 to the date of payment, due to alleged illegal actions such as the sale by ZM Pozmeat S.A. to TTI of all shares in the equity of Garbary Sp. z o.o. (previously Milenium Center Sp. z o.o.), an important part of its assets, while ZM Pozmeat S.A. was at risk of insolvency. In its reply to the claim, the Bank petitioned the Court to dismiss the claim on the grounds of there being no legal basis for allowing the claim. Since 2007 there have been several court proceedings.

In August 2017, the Bank, Garbary, TTI and Bank Pekao S. A. reached a settlement, as a result of which, in return for the payment of the agreed settlement amount, Bank Pekao S.A. waived claims against the Bank, Garbary and TTI arising from the aforesaid cases and withdrew the lawsuits (the proceedings were discontinued under a final and legally binding decision).

Claims of former clients of Interbrok

The owners of Interbrok Investment E. Drózdź i Spółka Spółka jawna (**Interbrok**) are facing allegations of fraudulent conduct in their management of Interbrok's operations. Since 14 August 2008, 170 of Interbrok's clients have accused the Bank, as the custodian of Interbrok's cash accounts, of being an accessory to Interbrok's fraudulent activity, and have requested, via the District Court in Warsaw, that the Bank enter into settlement negotiations over an aggregate amount of PLN 385,520,000. Nine claims for compensation were filed against the Bank, of which eight for a total amount of PLN 800,000, were filed by former clients of Interbrok (with the proviso that these claims may be extended up to a total amount of PLN 5,950,000). Seven claims have been dismissed and finally concluded. In the eighth case, the claimant withdrew the suit waiving the claim and the Regional Court dismissed the action. As far as the ninth suit is concerned, the amount in dispute is PLN 275,423,000, including statutory interest and costs of proceedings. According to the claims brought in the suit, this amount comprises the receivables due to the parties impacted by Interbrok's bankruptcy acquired by the claimant by way of assignment. On 7 November 2017, the Regional Court in Warsaw dismissed the claim in its entirety. However this ruling is not final.

Class action against the Bank concerning changes in interest rate clause

On 4 February 2011, the Bank received a class action brought by the Municipal Ombudsman representing a group of 835 of the Bank's retail banking clients. The petitioners claimed that the Bank improperly applied provisions of loan agreements concerning interest rate adjustments. The Bank unsuccessfully applied to dismiss the claim, which, as of 17 October 2012, had grown to 1,247 members. After several initial hearings, a hearing was held on 22 June 2013 and, on 3 July 2013, the court announced its judgment that the Bank had improperly applied provisions concerning interest rate adjustments. The Bank appealed the court's judgment on 9 September 2013, which was dismissed by the Court of Appeal in Łódź on 20 April 2014.

The Bank subsequently appealed the Court of Appeal's judgment on 3 October 2014. On 14 May 2015, the Supreme Court revoked the judgment of the Court of Appeal and remanded the case to the Court of Appeal for re-examination. On 24 September 2015, the Court of Appeal admitted expert evidence to verify the propriety of adjustments made by the Bank to interest rates. On 24 February 2017, a trial was held during which the court admitted oral supplementary expert opinion as evidence; however, the opinion did not allay the Court's concerns, so by the resolution of 6 April 2017, the Court of Appeal admitted a written supplementary expert opinion as evidence. The supplementary opinion was issued by an expert and presented to the parties for comments. On 29 September 2017, the Bank submitted a comprehensive response with its comments on the opinion. The date for a further hearing before the Court of Appeal in Łódź has not been set yet.

Class action against mBank S.A. concerning indexation clauses

On 4 April 2016, the Municipal Consumer Ombudsman representing a group of 390 individuals and retail clients who had entered into CHF-indexed mortgage loans with the Bank, filed a class action with the Regional Court in Łódź against the Bank. An additional 144 individuals were added to the class action on 23 May 2016. The statement of claim included alternative claims to either declare the invalidity of the mortgage loan agreements in part (particularly, the provisions relating to indexation) or in whole. On 19 December 2016, the court decided that the claim would proceed as a class action and dismissed the Bank's application for establishing a cash deposit. The Bank filed a complaint against the above mentioned decision, however; the Court of Appeal in Łódź dismissed the complaint on 15 March 2017. By its decision of 9 May 2017, the Regional Court in Łódź allowed individuals whose claims may be covered by the class action to join the proceedings within a period of three months from the date of publication of the decision. Subsequently, an additional 352 individual persons joined the lawsuit and, at the date of this Base Prospectus, there are 1,717 individuals in the group of claimants. The Court has not set the date of the trial yet.

Material administrative proceedings pending within 12 months before the date of the Base Prospectus

Court proceedings resulting from the administrative decision of the President of the OCCP regarding the "interchange fee" on transactions with the use of Visa and MasterCard cards

In 2006, the OCCP initiated proceedings against Visa and Europay and Polish banks issuing Visa and MasterCard payment cards. The OCCP claimed that the involved parties engaged in anti-competitive practices affecting the Polish card payments market. According to the OCCP, these practices involved a price fixing agreement under which the parties illegally fixed interchange fees for transactions with the use of Visa and MasterCard cards. In 2006, the OCCP imposed fines on the banks, including the Bank, which was required to pay PLN 7.7 million. The banks appealed against this decision to the Court of Competition and Consumer Protection (SOKiK), which in 2008 overruled the OCCP decision. In 2010, the Court of Appeal overruled SOKiK's ruling and the case was referred back to SOKiK. In 2013, SOKiK issued a judgment whereby the fines imposed on banks under the previous decision were reduced. All parties to the dispute, including the Bank and the OCCP, appealed against this ruling. The Court of Appeal ruled in favour of the OCCP, dismissed the banks' appeals and restored the fines imposed initially. The Bank has already paid this

fine. In 2016, the Bank and other banks brought a cassation appeal against the ruling of the Court of Appeal before the Supreme Court. The banks requested that the ruling be overruled in whole or that the fines should be cancelled or reduced.

On 25 October 2017, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back to that court for re-examination.

The above ruling of the Supreme Court may help the Bank to deal with potential private lawsuits against the Bank regarding interchange fees and reduce the risk of further lawsuits being brought (so far the Bank has received over 20 demands for amicable settlement and similar demands have been received by other banks). This is because the findings regarding the violation of the competition law made by the OCCP in 2006 are not final, as the proceedings are still pending.

Proceedings instituted by the OCCP regarding violation of collective consumer interests

In 2012, the OCCP initiated proceedings against the Bank concerning abusive clauses in specimen Individual Pension Accounts agreements. On 28 December 2012, the OCCP imposed a fine of PLN 14,793,705 on the Bank for using practices that violated consumers' collective interests. The above clauses did not concern the Bank. The Bank filed an appeal with the Regional Court in Warsaw demanding that the decision be revoked in whole. On 25 September 2017, the Regional Court decided to cancel the fine and revoked the decision with regard to the application of abusive clauses. The President of the OCCP may appeal against this ruling.

In 2013, the OCCP initiated proceedings regarding the Bank's use of practices which violated consumers' collective interests; in the opinion of the Office, the Bank did not send information packages with data of its clients to the Credit Information Bureau often enough. As a result, the OCCP imposed a fine of PLN 1,550,951. The Bank appealed against this decision to SOKiK, but the appeal was dismissed. On 30 June 2017, the Court of Appeal upheld the Bank's appeal and overruled the decision of the President of the OCCP and cancelled the fine. The OCCP filed a cassation appeal with the Supreme Court.

In 2015, the OCCP initiated proceedings regarding the Bank's use of practices which violated consumers' collective interests - the Bank did not apply negative interest on loans despite LIBOR falling below zero. According to the OCCP, negative LIBOR should be applied, even if interest on loans would then fall below zero. The Bank abided by its legal stance, but at the same time applied negative interest on loans on a one-off basis (which took place in 2016, taking into account negative interest prevailing throughout 2015). In December 2015, after completion of the proceedings, the OCCP imposed a fine of PLN 6,585,493 on the Bank for using practices which violated consumers' collective interests. The Bank appealed against this decision to SOKiK. In 2016, the OCCP accused mBank of using an abusive clause enabling it to freely determine the lifetimes of agreements in connection with a several days' period for making a loan available, provided for in cash loan agreements. The IT system used to process such loans enabled the Bank to disburse the loan on a business day selected at its discretion and thus extend the agreement lifetime (and, consequently, the interest calculation period). In a motion dated 2 October 2017, the Bank applied to the OCCP for issuing a decision, which would obligate the Bank to change the practice in question without paying a fine.

In June 2016, the OCCP launched an investigation into the issue of low down-payment insurance (NWW). The OCCP requested the Bank to provide information on the number of complaints regarding NWW received since June 2015, the number of complaints resolved in favour of clients, answers to complaints and details of 39 complaints and answers to them. The OCCP wanted to find out whether answers to complaints provided by the Bank and the way of examining the complaints violated the law. The last written explanation regarding this case was provided by the Bank on 6 July 2017.

In 2016, the OCCP initiated proceedings regarding violation of consumers' collective interests against the Bank. The OCCP brought two charges against the Bank:

- 1) consumers were not informed by means of a durable medium; the charge referred to messages sent via electronic banking; and
- 2) consumers were not provided with information on the legal basis of changes and on the circumstances accompanying the changes (changes of factors justifying the change).

The Bank responded that it informed consumers about amendments to rules, fee and commission tariffs and interest rate tables, as a rule, by sending them a message in the electronic banking service. In the case of persons who had not activated the electronic banking channel, the Bank sent them text messages, e-mails and letters in which it pointed to the fact that the relevant information had been published on the website. The OCCP did not accept the Bank's explanation.

The OCCP has launched similar proceedings against 17 banks in Poland, out of which several agreed to the OCCP's demands. The unfavourable ruling of the European Court of Justice of January 2017 played an important role in this case. In a motion dated 24 October 2017 (the second motion filed in this case) the Bank applied to the OCCP for issuing a decision, which would obligate it to change the practices in question without paying a fine. The Bank proposed to return a part of benefits obtained from clients as a result of using the practice in question and introduce a technological solution fulfilling the criteria of a durable medium. If the OCCP agrees to the motion, the Bank will have to return approximately PLN 9 million, whereas it would have to return circa. PLN 55 million, if the OCCP issued a standard decision. In addition, when issuing a standard decision, the President of the OCCP may impose a fine of up to 10 per cent. of the Bank's revenue (in practice, fines worth several millions of PLN have been imposed so far).

In July 2017, the OCCP initiated proceedings regarding violation of consumers' collective interests against the Bank. The OCCP was of the view that the Bank had failed to adequately inform clients about foreign exchange risk, shifting of foreign exchange risk and incorrect determination of the amount of instalments. The Bank rejected these allegations in a letter dated 18 August 2017, saying that under a KNF recommendation there were no grounds for informing borrowers about the said factors.

Intellectual Property

As at the date of this Base Prospectus, the Group holds protection rights to 311 trademarks registered in the territory of Poland. In addition to the domestic registrations (and/or applications), the Group's trademarks are protected (and/or applied for registration) in the territory of some other European countries, of which the most important are the Czech Republic and Slovakia, as well as in the territory of the entire European Union as community trademarks.

The said trademarks are the names and logos of the Bank and its subsidiaries, the Bank's brands (including mBank) as well as the Group's products and services. Some of the Group's trademarks represent old logos and, as such, are no longer material for the Group's operations. Following the rebranding process the most important trademarks are "m" and "mBank" figurative trademarks.

Website Domains

The Group maintains 612 domain names, of which the most important is "mbank.pl". The website located under the said domain name includes information on the Bank and its subsidiaries, as well as on the products and services offered by the Group.

RISK MANAGEMENT

The following is a summary only of the Group's risk management system. For a more detailed discussion of the Group's risk management system, see Note 3 in the 2017 Consolidated Financial Statements.

Overview

The Group's risk management system is a crucial component of the overall management of its activities and is designed to (i) identify and assess the various risks associated with the activities of each of the Group's individual business lines and the Group as a whole, (ii) control and mitigate such risks, (iii) ensure that the Group's activities comply with regulatory requirements and (iv) optimise the use of the Group's economic and regulatory capital.

The underlying principle of risk management is to optimise the allocation of the Group's available resources, being the available funding base, its own capital, and its ability to generate current profits to fund the achievement of the pursued business goals, while ensuring liquidity and adequate capitalisation. The Group's risk management system addresses all the risk types relevant for the Group. In co-operation with Group subsidiaries, the Bank identifies and assesses all the risk types relevant from the point of view of the scale and scope of the Group's operations. For this purpose, the principles laid down in the document entitled "Internal Capital and Liquidity Adequacy Assessment Process (ICAAP/ILAAP) in the Group – Governing Principles" are applied. Those measures result in estimation of capital necessary to cover risk.

The risk management process takes place at every level of the Bank's operations: from individual business units, through specialised units responsible for identification, measurement, monitoring, control and mitigation of risk, to the major decision-making bodies, i.e. the Management Board and the Supervisory Board of the Bank.

Individual risks are monitored and controlled by relevant organisational units within the Bank and those of its subsidiaries. Internal policies and procedures have been implemented with respect to the management, mitigation and reporting of these risks. In selected risk management areas, contingency plans and procedures have been implemented to address any particular risks and are intended to be applied if a particular risk increases significantly. In the process of risk identification, assessment and mitigation, the Group applies modern methods in accordance with regulatory standards i.e. the AIRB approach. Such methods, as well as the IT systems used in the risk management process, are constantly reviewed and updated as necessary.

Risk appetite is defined within the Group as the maximum risk, in terms of both amount and structure, which the Bank is willing and able to incur in pursuing its business objectives under going concern scenario (beyond the inherent existential risks). Risk appetite resulting from the available capital and funding base is the starting point in the Bank's risk management, and thus impacts the budgeting process and the capital allocation process.

Risk appetite is based on assessment of the Group risk profile and risk capacity in the perspective of:

- capital;
- funding;
- non-financial risks; and
- Risk Adjusted Performance Measures.

Risk appetite is the starting point for an on-going dialogue about the risk profile within the organisation. During strategic discussions, the Management Board outlines directions for the development of the Group

and particular business lines. The formulated general statements assure the foundation for on-going dialogue between management and the Management Board, which materialises in the form of portfolio-specific statements. During the central and business general planning process stages, risk appetite statements undergo further decomposition into key metrics and targets, which are then passed down into the organisation during the business operating phase of planning. Documentation of risk appetite and its monitoring activates appropriate control mechanism for protecting the Group's goals.

Division of responsibilities in the risk management process

The Supervisory Board

The Supervisory Board, through its Risk Committee, exercises constant supervision of the Bank's operations in the risk taking area, which includes approving the Risk Management Strategy and supervising its implementation.

The Management Board

The Management Board of the Bank accepts the Risk Management Strategy of the Group and is responsible for establishing and implementing the principles of managing individual risk types and for their coherence with the Strategy. Moreover, the Management Board defines the organisational structure of the Bank, ensuring the separation of roles, and allocates the tasks and responsibility to individual units.

The Management Board undertakes activities designed to ensure that the Bank conducts a policy which enables management of all types of risk which are essential for the Bank's operations and has procedures to manage these risks. In particular, it is responsible for preparation, implementation, effectiveness and update of written strategies and procedures which address: internal control system, risk management system, internal capital adequacy assessment process, capital management and capital planning.

The Chief Risk Officer

The Chief Risk Officer is responsible for integrated management of the risk and capital of the Bank and the Group in the scope of: defining strategies and policies, measuring, controlling and independent reporting on all risk types (in particular credit risk, market risk, liquidity risk, non-financial risk including operational risk), approving limits (according to internal regulations), and for processes of managing the risk of the retail credit portfolio and corporate portfolio.

Committees:

Business and Risk Forum

Business and Risk Forum is a formal decision and communication platform for the risk management and organisational units in particular business lines of the Group.

The Business and Risk Forum is constituted by the following bodies:

- Retail Banking Risk Committee (KRD),
- Corporate and Investment Banking Risk Committee (KRK), and
- Financial Markets Risk Committee (KRF).

The committees are composed of the representatives of business lines and respective risk management departments in the Bank and respective organisational units in the Group's subsidiaries.

Each committee is responsible for all types of risks generated by the business activity of the given business line.

The main function of the above mentioned committees is to develop the principles of risk management and risk appetite, by taking decisions and making recommendations concerning in particular:

- risk policies;
- processes and tools for risk assessment;
- risk limitation system;
- assessing the quality and profitability of portfolio of exposures to corporate clients;
- liquidity risk issues such as methodology and limits; and
- approval of introducing new products to the offer.

The Bank's internal rules define specific competencies and tasks of the committees constituting the Business and Risk Forum.

Model Risk Committee

The Model Risk Committee is a dedicated body responsible for supervising model risk management process. The Committee performs information, discussion, decision and legislative functions. In particular, the Committee:

- approves new and redesigned models, as well as amendments thereto, and decides when to terminate models;
- takes decisions on the scope of application of the Group's internally and externally generated models in banking processes;
- recommends the tolerance level for model risk and submits its findings to the Management Board and the Supervisory Board;
- takes the final decision regarding approval of the significance assigned to a given model;
- approves preventive and remedial measures indicated within the results of monitoring; and
- accepts the schedule for validation of models and the results of each model validation.

The functioning of the Committee ensures an adequate level of independence between the various participants in the model risk management process and enables the avoidance of conflicts of interest between them. The Committee also provides the validation unit with the ability to issue binding recommendations with an adequate priority.

Assets and Liabilities Committee

The Assets and Liabilities Committee of the Group (**ALCO**) is responsible, in particular, for developing, monitoring and managing the structure of assets and liabilities, obligations and off-balance sheet items, with the aim of optimising funds allocation.

Capital Management Committee

The Capital Management Committee is responsible, in particular, for managing capital. Based on the decisions made, the Committee issues recommendations for the Management Board of the Bank on:

- measures in respect of capital management, capital level and structure,
- increasing the effectiveness of capital utilisation,
- the internal procedures related to capital management and capital planning.

Credit Committee of the Group

The Credit Committee of the Group is responsible, in particular, for the supervision of concentration risk and large exposures at the Group level by taken decisions and made recommendations. The Committee also takes decisions on debt conversion into shares, stocks, etc. as well as decisions on taking over properties in return for debts (applies to the Bank).

Investment Banking Committee

The Investment Banking Committee is responsible, in particular, for the control and management of risks (including market, credit, reputational and operational) of the Brokerage Bureau transactions and making decisions regarding the execution of these transactions.

Credit Committee of the Retail Banking

The Credit Committee of the Retail Banking is responsible, in particular, for:

- making individual credit decisions concerning retail clients in the case when the total exposure to such a client, the value of the transaction or the values of AIRB risk parameters (PD/LGD/EL) set for the client/transaction achieve a specified threshold set for this decision-making level; and
- making decisions on granting decision-making powers to individual employees of the Bank, or on changing or revoking those powers.

Data Quality and IT Systems Development Committee

The Data Quality and IT Systems Development Committee is responsible for the tasks and decision making process in scope of principles and structure of operation of the data quality management system, approving operational standards of data management, assessing the effectiveness of the data quality management system, initiating actions aimed at improving data quality at the Bank, in particular, taking into account the needs related with calculating the regulatory capital requirements of the Bank under the AIRB approach.

Foreign Branch Supervision Committee of the Bank

The Foreign Branch Supervision Committee of the Bank is responsible, among other things, for issuing recommendations for the Management Board of the Bank in relation to the operational strategy and the rules for stable and prudent management of a particular foreign branch of the Bank, especially with reference to credit risk.

Organisational units of the Risk Area

The function of management at the strategic level and the function of control of credit, market, liquidity and operational risks and risk of models used to quantify the aforesaid risk types are performed in the Risk Area supervised by the Vice-President of the Management Board in the role of Chief Risk Officer.

The chart below presents the organisational structure of this area:



The roles played by particular units in the process of identifying, measuring, monitoring and controlling risk, which also includes assessing individual credit risk posed by clients and establishing the client selection rules, have been strictly defined. Within the scope of their powers, the units develop methodologies and systems supporting the aforesaid areas. Furthermore, the risk control units also report on risk and support the major authorities of the Bank.

Risk culture

Lines of defence

Risk management roles and responsibilities in the Group are organised around the three lines of defence model:

1. The first line of defence is Business (business lines), whose task is to take risk and capital aspects into consideration when making all business decisions, within the risk appetite limits set for the Group
2. The second line of defence is Risk (risk management), IT, Security and Compliance, and is responsible for determining the framework and guidelines concerning managing individual risks, supporting Business in their implementation as well as supervising the control functions and risk exposure. To ensure that the Business is supported and supervised in an objective manner, the second line of defence acts independently of the Business.
3. The third line of defence is Internal Audit, ensuring independent assessment of activities connected with risk management performed by the first and the second line of defence.

Pillars of risk management

The risk management framework in the Group rests on the three pillars concept:

1. Customer Focus – striving to understand and balance the specific needs of the Risk's diverse stakeholders (Business, Management Board, Supervisory Board, shareholders, regulatory authorities).
2. One Risk – understood as an integrated approach to risk management and responsibility to the clients for all types of risk defined in the Risk Catalogue of the Group.
3. Risk vs Rate of Return perspective – supporting the business decision-making processes on the basis of long-term relationship between risk and rate of return avoiding tail risks.

Risk reporting

The Bank has adopted the principle of double risk reporting. On the one hand, the directors of the Bank's organisational units that deal with risk management on an operational level report directly and on an on-going basis to the Management Board members responsible for the relevant units. On the other hand, the risk area departments that monitor and control quantifiable risks submit independent risk reports to the Vice-President of the Management Board – the Chief Risk Officer and to the appropriate committees of the Bank's Management Board (including committees operating within the Business and Risk Forum).

Integrated information on risk and capital management is provided to the Management Board members in a monthly report. The Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board receive on a quarterly basis comprehensive Risk and Capital Monitor (RCM) reports. The RCM covers credit, market, liquidity and non-financial risks (including operational risk) as well as capital adequacy of the Group. Moreover this report covers also the most important risk signals and observations as well as early warning information.

MARKET AND LEGAL ENVIRONMENT

Market

The information presented in this section has been extracted from publicly available sources and documents. The source of external information is always given if such information is used in this section. While reviewing, searching for and processing macroeconomic, market, industry or other data from external sources such as the KNF or government publications none of it has been independently verified by the Group, the Arranger or the Dealers or any of their affiliates or the Group's advisers in connection with the Programme.

The Bank does not intend to and does not warrant to update the data concerning the market or the industry as presented in this section, subject to the duties resulting from generally binding regulations.

The Polish Economy

Poland is the largest economy in the Central and Eastern European (CEE) region, with a track record of steady growth despite prolonged turmoil on the international financial markets. In recent years, growth has supported by expansionary macroeconomic policy, a solid influx of EU funds under the EU's 2014-2020 framework, high relative cost competitiveness and a key geographic location within the EU market.

The Polish economy slowed markedly in 2012. Weaknesses in euro area growth spread to Poland's main trading partners, with a negative impact on Polish consumers and business confidence. As a result, international demand was subdued and private investment and consumption weakened. The labour market deteriorated and credit growth trends reduced. Since the second half of 2013, the Polish economy has begun to improve, but in 2014 the economy was hit by a number of negative shocks, including mainly a sharp decline of demand for Polish products among Poland's eastern trade partners, as well as an economic slowdown in the Eurozone. According to the Central Statistical Office (GUS), the GDP growth rate in Poland reached 3.4 per cent. in 2014 and accelerated to 3.6 per cent. in 2015. In 2016, Poland's GDP growth rate slowed down to 2.9 per cent. The slump in private investment, weaker-than-expected household consumption and reduced inflows of EU funds were the main drivers behind the weak economic growth. In 2017, GDP growth rate increased to 4.6 per cent., the highest it had been since 2011. Private consumption was the main driver of economic growth in 2017. The growth rate accelerated to 4.8 per cent. from 3.9 per cent. in 2016. Growth in private consumption was supported by an increase in disposable income of households supported by improved employment, social transfers under the "Family 500 plus" programme and rising wages and salaries. The favourable consumer sentiment and historically low NBP interest rates also contributed to increased consumer spending. Economic activity benefited also from a rebound in investment, which after a significant slowdown in 2016 increased by 3.4 per cent. in 2017. Construction spending improved in 2017 and accelerated further at the beginning of 2018. The improvement has been driven mainly by public investment, but there are also tentative signs that private investment has started to recover.

Polish assets enjoyed a significant improvement in 2017, with the equity market reaching a new high, significant declines in bond yields and a stronger PLN exchange rate. Local factors have not played a major role, but Poland has benefitted from the overall positive market approach towards emerging markets.

Poland's growth oriented policy is reflected in:

- historically low interest rates, supporting business lending and reducing the interest burden faced by households,
- plans to reduce personal income taxes via a higher tax-free allowance and increase progressivity of taxation,

- various measures to permanently raise the household savings rate and, indirectly, private investment rate (an offset to demographic headwinds), and
- redistributive policies and increased spending on families support to tackle long-term demographic problems.

According to Eurostat, Poland's general government deficit shrank to 1.7 per cent. of GDP in 2017 from 2.3 per cent. of GDP in 2016. It resulted mainly from a significant increase in government revenue combined with a number of measures aimed at tightening the tax system and closing loopholes.

The unemployment rate in Poland is well below the EU average. According to Eurostat, in 2017, the unemployment rate in Poland reached 4.4 per cent. compared to 7.3 per cent. in the European Union and 8.7 per cent in the Eurozone.

Cautious monetary policy carried out by the Polish Monetary Policy Council is underpinned by:

- clearly defined monetary policy target (2.5 per cent. +/-1 p.p.);
- lack of asset purchase programmes; and
- attention to ensuring wider macroeconomic stability.

Inflation stabilised within the NBP's tolerance band (2.1 per cent. in December 2017; 1.4 per cent in March 2018). The majority of market participants currently expect NBP interest rates to remain stable in 2018.

Development of the Polish Banking Sector

Between 1989 and 1991, a two-tiered banking sector was established, separating the central bank from the rest of the banking sector. Nine regional commercial banks were created out of the NBP's commercial and retail banking operations. The NBP branch network and respective commercial loan portfolios of those branches were divided among the newly-established banks to give each new bank a regional base. All of these regional banks were transformed into joint stock companies in October 1991 and were subsequently privatised between 1993 and 2001. Since 1991, Polish banking law has allowed licensing of new private banks in Poland and opened the Polish banking market to foreign investors. As a result there has been a rapid expansion in the number of banks due to foreign banking groups entering the market.

The global financial crisis impacted the quality of loan portfolios and the level of earnings in the Polish banking sector, and also increased pressure on funding for banks. However, because (i) banks in Poland did not have significant exposure to toxic assets prior to the crisis, (ii) there were no significant speculative asset bubbles in Poland (iii) deposits are the main source of banks' funding, (iv) Polish banks have relatively high capital adequacy ratios (with a high proportion of high quality Tier 1 capital) and (v) Poland has experienced a stable macroeconomic situation (evidenced by the fact that Poland did not enter into a recession), the impact of the crisis on the Polish banking sector was limited in comparison to the Eurozone. The inflow of funds from abroad declined and the availability of funding on the inter-bank market was reduced following a lack of trust in the market. As a result, banks sought alternative sources of funding which significantly increased competition on the deposit market. In addition, a few large international financial institutions which suffered as a result of the global financial crisis have reassessed their international strategies, putting their Polish operations up for review and sale (for example KBC Group and Rabobank).

These moves have added to the on-going trend of increasing concentration in the hands of a few large banking groups.

According to the KNF, as at 31 December 2017, there were 35 commercial banks in Poland, 28 branches of credit institutions and 553 relatively small co-operative banks.

The level of competition in the Polish banking sector is relatively high due to its low level of concentration. According to the KNF data as at 31 December 2017, the share of top five banks in total banking assets stood at 47.8 per cent. (compared to 48.3 per cent. as at the end of December 2016), while their share in deposits amounted to 47.1 per cent. (compared to 47.5 per cent. as at the end of 2016).

Among the other factors having an impact on competition is a consolidation trend in recent years. For example, in 2013, the merger of BZ WBK S.A. and Kredyt Bank S.A., the acquisition of Dexia Kommunalkredit Bank Polska S.A. by Getin Noble Bank S.A., and the acquisition of the retail operations of DnB Nord Polska S.A. by Getin Noble Bank S.A.; in 2014, the merger of Nordea Bank Polska S.A. with PKO Bank Polski SA, the taking of control over Santander Consumer Bank by Bank Zachodni WBK S.A.; and, in 2015, the merger of Bank BGŻ S.A. with BNP Paribas S.A. and the acquisition of Meritum Bank ICB S.A. by Alior Bank S.A.; in 2016 the merger of BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A. and the merger of Alior Bank S.A. with core business of BPH. Finally, in December 2017 Deutsche Bank AG sold its Polish retail operations (core DB Polska without CHF portfolio and DB Securities) to BZ WBK. On 10 April 2018, Raiffeisen Bank International AG agreed to sell the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGŻ BNP Paribas S.A.

The Polish banking sector is expected to continue to experience consolidation in the medium term. A number of smaller market players generate relatively low revenues, which will be subject to rising pressure. This may force further consolidation if profitability is eroded. Given pressure on the revenue side (low interest rates, regulatory measures) and additional burdens (Polish banking tax, higher capital requirements), some banks will strive to increase their scale of operations to achieve a satisfactory return on equity.

As a result of changes in the shareholding structure of Polish commercial banks, in particular takeover of Bank Pekao SA by Polish capital (PZU S.A. and PFR S.A.) in 2017, the share of foreign ownership in the banking assets in the country has declined markedly. As at 30 September 2017, 45.5 per cent. of the total assets of the Polish banking sector belonged to foreign-owned banking groups compared to 56.6 per cent at the end of 2016 and 65.0 per cent. at the end of 2011 (Source: KNF data).

Alternative distribution channels, in particular internet banking and mobile banking, have been becoming of increasing importance in Poland. Moreover, new products, such as markets for financial advisory services, wealth management, insurance products and various investment funds in Poland have seen significant growth and are likely to be a significant driver for profitability in the future.

Financial Situation of the Polish Banking Sector

Poland's banking sector is generally profitable, well capitalised, and predominantly deposit-funded. In 2017, the Polish banking industry operated in a changing market environment. Currently, the following factors impact the operations of the banking sector in Poland:

- a low interest rate environment – interest rates in Poland are at historically low levels. The NBP reference rate stood at 1.5 per cent. and WIBOR 3M reached 1.72 per cent. at the end of 2017. The low interest rate environment depresses generation of net interest income;
- interchange rates, i.e. commissions paid to the bank by the settlement agent for every non-cash transaction made with a payment card issued by the bank, decreased to 0.2 per cent. for debit cards and 0.3 per cent. for credit cards (from the end of January 2015), which restricts the generation of fee and commission income;
- the introduction of a new tax on certain financial institutions ("Polish banking tax") in February 2016 in the amount of 0.44 per cent. of assets annually;
- stricter regulatory requirements, putting pressure on capital, costs and operations;

- legislative proposals which seek to reduce the indebtedness of CHF borrowers by sharing losses with banks in Poland;
- consolidation of the banking sector – banks with insufficient scale give way to bigger and stronger entities;
- challenges related to the management and storage of personal data and security in the Internet – cyber-risk;
- spreading technological solutions and their impact on clients' behaviour;
- declining trust in the banking sector as a result of the on-going debate in relation to the foreign exchange mortgage loans which started in 2015; and
- non-financial sector players (FinTech companies) are gradually entering traditional banking territories and offer innovative financial solutions. Additionally, the PSD2 Directive (Payment Services Directive 2) will abolish banks' monopoly in the market for payment services.

In 2017, the financial and business results of the banking sector were supported by the favourable economic situation in Poland, improving the financial standing of households and positive mood among enterprises. The banking sector's net profit generated in 2017 reached PLN 13.6 billion and was only by 2.3 per cent. lower than in 2016, when the banks booked one-off gains generated on the sale of banks' stakes in VISA Europe Limited (approximately PLN 2 billion).

A strong increase in net interest income of PLN 4.6 billion (12.1 per cent.) and net fee and commission income of PLN 1.2 billion (9.1 per cent) had a positive effect on the levels of revenue. Despite the positive economic momentum, net impairment losses on loans and advances in 2017 were 9.4 per cent. higher than in the previous year. In 2017, the banks continued cost cutting initiatives, including optimisation of the sales network. However, the banking sector's total costs (excluding tax) increased by 3.2 per cent. compared to 2016 and the cost to income ratio reached 56.4 per cent. In 2017, net ROE of the banking sector deteriorated (7.1 per cent. compared with 7.8 per cent. in 2016), as the equity remained under the influence of high regulatory and supervisory burdens and the net profit of the banking sector was affected by a high reference base related to Visa transaction in 2016. (Source: KNF data).

The year 2017 was marked by an acceleration in credit volumes. Loan growth was supported by a low interest rate environment, depreciation of the PLN and declining unemployment. According to the KNF, housing loans in PLN increased by 10.5 per cent. compared to the previous year. Housing loans in foreign currency declined by 18.5 per cent. in 2017 due to strong foreign exchange effects and continued repayment of CHF mortgage loans. The annual growth rate of consumer loans in 2017 reached 8.0 per cent. (compared to 5.1 per cent. registered in 2016). Loans to non-financial corporations increased by 6.1 per cent. compared to 2016.

In 2017, the number of NPLs to the non-financial sector decreased by 1.3 per cent. The NPL ratio as at 31 December 2017 stood at 6.8 per cent. (6.1 per cent. for households, 2.8 per cent. for total mortgage loans, 3.3 per cent for mortgage loans in foreign currency and 8.2 per cent. for corporate clients) (Source: KNF data). The NPL ratio in Poland compares favourably with the vast majority of CEE countries (according to ECB statistics, the NPL ratio in Poland in 2016 stood at 6.4 per cent., while in Bulgaria 12.8 per cent., in Slovenia 12.3 per cent., in Hungary 11.9 per cent., in Romania 9.7 per cent., in Slovakia 4.6 per cent and in the Czech Republic 4.1 per cent.).

A conservative regulatory environment has a positive impact on the asset quality of Polish banks. Recommendation S of the KNF introduces a limitation on loan-to-value, recommends a repayment period no longer than 25 years for retail customers and allows offering foreign-currency mortgage loans to borrowers earning permanent income in the loan currency. Recommendation T of the KNF instructs that

assessment of the client's standing should be based on certificates of income and external databases, e.g. the Credit Information Bureau (BIK) and that the maximum Debt-to-Income ratio should be determined by the bank's management board and approved by the supervisory board.

The relative unattractiveness of bank deposits resulting from, among other things, a record low level of basic interest rates and regulatory burdens for the banking sector, resulted in a gradual slowdown of the growth dynamics of aggregate deposits in 2017 (to 4.1 per cent. compared with 9.5 per cent. in 2016). Household deposits increased by 4.2 per cent. compared with 2016. A decrease in term deposits of individuals in 2017 contributed towards a gradual slowdown in the dynamics of household current deposits. At the same time, worse liquidity in the enterprises sector, which was connected both with a dynamic increase in salaries and the effects of the tightening of the tax system, contributed to lower dynamics of corporate deposits. Their slower growth rate (3.6 per cent. in 2017 against 8.5 per cent. in 2016) was also a consequence of the strengthening of the PLN, which reduced the value of exporters' PLN profits. (Source: KNF data).

In 2017, the liquidity of the banking sector remained stable. The loan to deposit ratio was below 100 per cent. (97.7 per cent. as at the end of 2017 according to the KNF).

Banks in Poland are well-capitalised. The average total capital ratio (compliant with the CRD IV/CRR approach) as at 31 December 2017 stood at 19.0 per cent. and Common Equity Tier 1 capital ratio (CET1) stood at 17.3 per cent. (Source: KNF data).

In 2018, the Polish banking sector is likely to be impacted by various factors. Poland's banking sector may expect a continuation of lending growth in the mortgage, consumer and corporate sectors on account of favourable macroeconomic factors consumer stability. Housing loans will have a slightly larger contribution to the overall lending to households, but due to the high base (the volume of loans originated in the previous years) even a considerable increase in loan production would have only a limited impact on the overall growth in volumes in this category. The already solid growth in consumer loans is likely to continue throughout 2018. Corporate loans are expected to grow at a faster pace driven by all sub-categories, in particular investment and commercial real estate loans. Deteriorating liquidity may additionally boost companies' demand for overdraft facilities and working capital loans.

Deposits are also expected to increase supported by rising revenues of households and corporate customers. Nevertheless, growth in household and corporate deposits will be curbed by growing popularity of alternative ways of saving and investing.

At the same time, several developments may weaken the Polish banking sector. In particular, the banking sector faces significant risks to its profitability as a result of costs associated with the legislative proposals concerning mortgage loans denominated in foreign currencies. There are also certain risk factors in external environment that may adversely affect the Polish economy and, consequently, the situation of the banking sector. In addition, traditional banks will have to deal with increased competition from FinTech companies and expectations of customers who demand convenience and availability of advanced technologies.

Legal environment

Specific Requirement for the Banks

Engaging in banking activities involves meeting multiple regulatory obligations, most of which follow directly from the provisions of the Banking Law, and from resolutions, ordinances and recommendations made by the KNF. The most important of these obligations relate to the Bank's own funds, the capital adequacy ratio, solvency ratio, exposure concentration, risk management systems and financial management conducted by the Bank.

Banks have a duty to protect banking secrecy. Regulations on personal data protection are particularly important for the functioning of banks in order to protect individual customers. Personal data may be

processed exclusively in compliance with detailed regulations, using technical and organisational resources which ensure the protection of personal data against unauthorised processing, including making it available to third parties.

The Bank must also comply with regulations for the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

Certain restrictions also apply if banks retain any third parties for the performance of banking activities for and on behalf of the bank or for the performance of any banking-related operations (so-called "outsourcing").

Agreements concluded by banks with their customers are subject to detailed regulations (see also "*Consumer Protection*" below).

Banking Supervision Exercised by the KNF

In Poland, banking supervision is currently exercised by the KNF and covers in particular:

- (a) assessing the financial position of banks, including analysing liquidity, the quality of assets, solvency and the financial results of banks;
- (b) estimating, maintaining and reviewing internal capital;
- (c) auditing the quality of risk management systems, and in particular of the risk management system and internal control system;
- (d) auditing compliance of the bank's activities with the appropriate regulations; and
- (e) monitoring and controlling the bank's compliance with the exposure concentration limits and standards for the risk acceptable in banks' operations as determined by KNF.

The KNF has wide powers and legal instruments which enable it to carry out supervision over banks (including the possibility to conduct inspections).

Other Supervisory Authorities

Some areas of banking operations are subject to the supervision of other public administration authorities, the most important of which are as follows:

- (a) the OCCP with respect to protecting market competition and consumers' collective rights;
- (b) the General Inspector for Personal Data Protection (**GIODO**) with respect to collecting, processing, managing and protecting personal data; and
- (c) the minister responsible for financial institutions (the **Minister of Finance**) and the General Inspector for Financial Information with respect to the prevention of money laundering and financing of terrorism.

Bank Guarantee Fund

The Bank Guarantee Fund covers the monetary assets deposited in bank accounts or receivable in respect of claims confirmed by documents issued by banks with a guarantee system. Participation in the Bank Guarantee Fund is mandatory for all Polish banks and in certain instances for branches of foreign banks operating in Poland. Banks covered by the guarantee system make mandatory annual payments to the Bank Guarantee Fund and are obliged to set up a guaranteed funds protection fund. The mandatory guarantee system ensures that if a bank becomes insolvent, the funds deposited in bank accounts, up to an amount

specified in the regulations, are returned. As at the date of this Base Prospectus, funds up to the amount equivalent to EUR 100,000 per single person in respect of deposits in all accounts in a given bank are fully covered by the guarantee system. Funds deposited in particular by government administration authorities, other banks, credit institutions, insurance companies, investment and pension funds are not covered by the guarantee system.

Consumer Protection

The Consumer Credit Act dated 12 May 2011 (as amended), the Civil Code regulations and other consumer protection laws impose on the banks several obligations related to agreements signed with natural persons who perform actions which are not directly related to their business or professional activities (consumers). The most important of those are the requirements to inform the consumer about the cost of extended credit and loans and to include specified terms in the consumer loan agreement as well as the prohibition from including specific clauses which are unfavourable to consumers in agreements. If a customer loan agreement does not meet certain requirements of the Consumer Credit Act, the borrower is authorised under the law to repay the loan in principal amount with interest accrued until the prepayment date. In some circumstances, the borrower may be authorised to repay only the principal amount, without interest, fees and any other amounts due to the bank under the loan agreement.

There is a cap for the maximum interest rates which may be charged by a bank under a loan agreement. Previously, the interest rate cap on consumer loans was determined at four times the Lombard rate (the repo rate at which the NBP agrees to lend to banks). A new formula was introduced from January 2016 which caps the maximum allowable interest rate at two times the sum of the applicable reference rate of the National Bank of Poland and 3.5 per cent.

Personal Data Protection

In light of the large number of individuals serviced by banks, all the regulations concerning personal data protection are of particular importance to banking operations. Personal data may be processed exclusively in compliance with specific regulations, while applying technical and organisational means that ensure the protection of personal data, particularly from disclosure to any unauthorised parties. Additionally, the persons which such data relates to should have the right to access all of their personal data and to correct it.

The Regulation of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data (the **GDPR**) was adopted in April 2016. In order to comply with the new regulations that will apply to the whole EU, businesses will face the necessity of implementing numerous legal and organisational changes. The GDPR, enters into force on 25 May 2018. It imposes new obligations and guidelines on companies in the management and processing of personal data. This means a significant change for companies in their approach to the security of data storage and the issue of making it available to relevant employees.

The key challenges resulting from the GDPR implementation result from:

- the definition of personal data, including identifying of the person related to the data, will be much broader,
- automated processing of personal data will be permitted under certain conditions,
- the legal rights of the individual will be increased considerably,
- personal data processors, controllers and Data Protection Officers will have many new obligations related to providing technical and organizational protection of personal data,

- administrative fines for non-compliance with the Regulation can reach EUR 20 million or 4 per cent. of an organisation's annual worldwide turnover. Moreover, individuals will have the right to judicial redress and claim compensation beyond the statutory fines.

GENERAL INFORMATION ON THE BANK

Introduction

Name:.....	mBank Spółka Akcyjna
Legal form:	Joint-stock company established and operating under Polish law
Registered office:.....	Warsaw
Address:.....	ul. Senatorska 18, 00-950 Warsaw, Poland
Telephone:.....	+48 (22) 829 00 00
Website address:.....	www.mbank.pl
E-mail address:.....	relacje.inwestorskie@mbank.pl
National Court Register registration number:	0000025237
REGON (STATISTICAL NUMBER):.....	001254524
NIP:	5260215088

History

The Bank was established on the basis of Resolution No. 99 of the Council of Ministers dated 20 June 1986 as Bank Rozwoju Eksportu Spółka Akcyjna, and it commenced operations on 2 January 1987.

On 4 March 1999, the 9th Extraordinary General Shareholders' Meeting passed a resolution to change the name of the Bank to BRE Bank Spółka Akcyjna.

On 11 April 2013, the 16th General Shareholders' Meeting passed a resolution to change the name of the Bank from BRE Bank Spółka Akcyjna to mBank Spółka Akcyjna.

Currently, the registration court with jurisdiction over the Bank is the District Court for the capital city of Warsaw, 12th Business Department of the National Court Register.

The Bank was established for an unspecified period

Legal Regulations Concerning the Bank's Operations

The Bank operates in accordance with the KSH, the Banking Law and other regulations relating to commercial companies and entities engaged in banking operations.

The basic regulation determining the organisation and manner of operations of the Bank is the Bank's Articles of Association.

The Bank's Business Purpose Specified in the Articles of Association

In accordance with paragraph 5 of the Articles of Association, the Bank's business purpose is to provide banking services, consulting and advisory services in financial matters, and to engage in economic activities within the scope defined in Article § 6 of the Statute.

Major Shareholders

As at the date of this Base Prospectus, the share capital of the Bank comprised 42,312,122 shares, including (a) 42,300,122 ordinary bearer shares listed on the main market of the WSE, and (b) 12,000 registered dematerialised shares which are not listed on the main market of the WSE.

There are no preferences attached to shares and each share entitles the holder to a right to one vote at the General Shareholders' Meeting.

In the past seven years the Bank's new shares were issued under: (i) a share capital increase carried out by a way of a rights issue registered on 16 July 2010 (12,371,200 shares with a total nominal value of PLN 49,484,800) and (ii) several conditional share capital increases in connection with two management option programmes: the motivation programme for the members of the Management Board of the Bank based on the resolution No. 21 of the 21st Ordinary General Meeting of the Bank of 14 March 2008 (on the issuance of bonds with pre-emptive rights to acquire shares of the Bank and the conditional increase of share capital by the issuance of shares with no subscription rights for the existing shareholders in order to enable beneficiaries of the long-term incentive programme to take up shares in the Bank, on application for admission of the shares to trading on the regulated market and on dematerialisation of the shares) and the motivation programme for the key employees of the Group based on resolutions No. 2 and 3 of the Extraordinary General Meeting of 27 October 2008.

In 2017, the Bank's share capital increased by PLN 127,980 as a result of issuances related to the motivation programmes as well as the registration of the shares by the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych*, the **KDPW**). Currently the Bank's registered share capital is PLN 169,248,488 and is divided into 42,312,122 ordinary bearer shares and ordinary registered shares with a nominal value of PLN 4 each.

Given the Bank's status as a public company within the meaning of the Public Offering Act and the fact that the majority of the shares of the Bank are listed on the regulated main market operated by the WSE, the Bank does not have detailed information on all of its shareholders.

Apart from the information resulting from the content of the Bank's share register (maintained for 12,000 registered shares of the Bank), the Bank has information on its shareholders based on notifications provided to the Bank under Article 69 of the Public Offering Act.

As at the date of this Base Prospectus, Commerzbank was the Bank's majority shareholder, holding 29,352,897 shares representing 69.37 per cent. of the share capital of the Bank and the same proportion of the voting rights at the General Shareholders' Meeting. Commerzbank holds only ordinary bearer shares, each of which gives the right to one vote at the General Shareholders' Meeting. Commerzbank does not have any additional voting rights at the General Shareholders' Meeting. For a more detailed discussion on Commerzbank's control over the Bank, see "Control of Commerzbank over the Bank".

As at the date of this Base Prospectus, two shareholders exceeded the five per cent. threshold of shares and votes at the General Meeting, which requires disclosure of holdings: Commerzbank AG and Nationale Nederlanden Otwarty Fundusz Emerytalny. On 20 March 2015, the Bank received from ING Otwarty Fundusz Emerytalny (now Nationale Nederlanden Otwarty Fundusz Emerytalny) a notification that the total numbers of votes controlled at the General Shareholders' Meeting of exceeded 5 per cent.

The table below sets out information on the shareholding structure of the Bank as at the date of this Base Prospectus:

	<u>Number of shares</u>	<u>Per cent. of voting rights at the General Shareholders' Meeting</u>
Commerzbank AG	29,352,897	69.37 per cent.
Other shareholders (incl. Nationale Nederlanden Otwarty Fundusz Emerytalny)	12,959,225	30.63 per cent.
Total	42,312,122	100.00 per cent.

Control of Commerzbank over the Bank

Nature of Control

Commerzbank as a holder of the majority of voting rights at the General Shareholders' Meeting of the Bank, can execute decisive influence on the resolutions adopted by this body, and in particular on the resolutions on key issues relating to the Bank's organisation and operations, including: (a) the appropriation of the profit/offsetting of losses incurred by the Bank, (b) the approval of the due performance of their duties by the Bank's bodies, (c) the appointments and dismissals of the members of the Supervisory Board, (d) the amendments of the Articles of Association, (e) the increases and decreases in the share capital of the Bank, (f) the redemption of shares, (g) the utilisation of the supplementary capital and other reserves by the Bank, (h) the issue of convertible bonds or bonds with a pre-emptive right, (i) the determination of remuneration rules for the Supervisory Board members, and (j) the Bank's liquidation, merger, demerger or transformation. Since Management Board members are appointed and dismissed by the Supervisory Board, Commerzbank by having a decisive influence on the composition of the Supervisory Board, can also directly influence the composition of the Management Board. At the date of this Base Prospectus, no other entity than Commerzbank has control over the Bank.

In the opinion of the Bank, neither the Articles of Association nor the Regulations of the General Shareholders' Meeting, Supervisory Board and Management Board contain any provisions which might delay, forestall or prevent a change of control over the Bank.

Mechanisms Preventing the Abuse of Control

There are a number of legal instruments aimed at preventing the abuse of control over the Bank by its major shareholder specified in the provisions of the Public Offering Act and the KSH.

The Bank's Position in the Commerzbank Group

Based on total assets, Commerzbank is one of Germany's leading banks for private and corporate clients. It has one of the densest branch networks of all German private-sector banks, through which all customer groups are served. With the two core segments "Private and Small-Business Customers" and "Corporate Clients" Commerzbank offers a comprehensive portfolio of banking and capital market services. Alongside its business in Germany, Commerzbank is also active internationally through its subsidiaries, branches and investments. The focus of its international activities lies in Poland and on the goal of providing comprehensive services to German companies in Western Europe, Central and Eastern Europe and Asia.

In accordance with the declaration of the Management Board of Commerzbank, mBank remains Commerzbank's most important subsidiary in Central and Eastern Europe.

Under a strategic agreement signed in 1994, mBank has received several capital injections from Commerzbank, the last of which was in 2010 and totalled approximately PLN 1.4 billion as Commerzbank acquired approximately 70.0 per cent. of the new issue of shares during mBank's capital increase. Moreover, mBank has received subordinated loans in CHF. As at 31 December 2017, the subordinated debt from Commerzbank stood at CHF 250 million. It was equivalent of PLN 891.8 million (at an exchange rate of 1 CHF = PLN 3.5672, as at 31 December 2017). On 21 March 2018, the Bank redeemed two series of perpetual subordinated bonds in the total amount of CHF 250 million (which were no longer included in the Bank's Tier II capital) and on the same day, the Bank received a subordinated loan from Commerzbank of CHF 250 million (on 29 March 2018, the KNF gave consent for qualifying funds from this subordinated loan to be included in the Bank's Tier II capital).

In addition, the Bank has periodically used funding from Commerzbank. As at 31 December 2017 and 2016, the total outstanding indebtedness of the Group to the Commerzbank Group excluding subordinated debt was the equivalent of PLN 2.9 billion and PLN 6.6 billion respectively. The total outstanding short-term indebtedness (up to one year excluding derivative instruments) of the Group to the Commerzbank Group was the equivalent of PLN 2.9 billion as at 31 December 2017 and PLN 3.5 billion as at 31 December 2016.

A technical co-operation agreement gives mBank access to the network of Commerzbank and its correspondent banks around the world. In addition, Commerzbank offers its know-how to mBank under separate agreements, enabling co-operation in many areas e.g. co-operation in serving international clients (including Commerzbank clients), compliance and money laundering prevention or shared reporting systems in accounting and controlling. In the key area of Risk control, the co-operation concerns especially the exchange of experiences regarding the implementation of new European regulations.

Within the basic agreement on methodologies between mBank and Commerzbank, mBank is fully responsible and ensures decisions independence in all Risk Management areas, especially in credit operations.

mBank also participates in the Commerzbank Group multi-year-planning system.

The Group

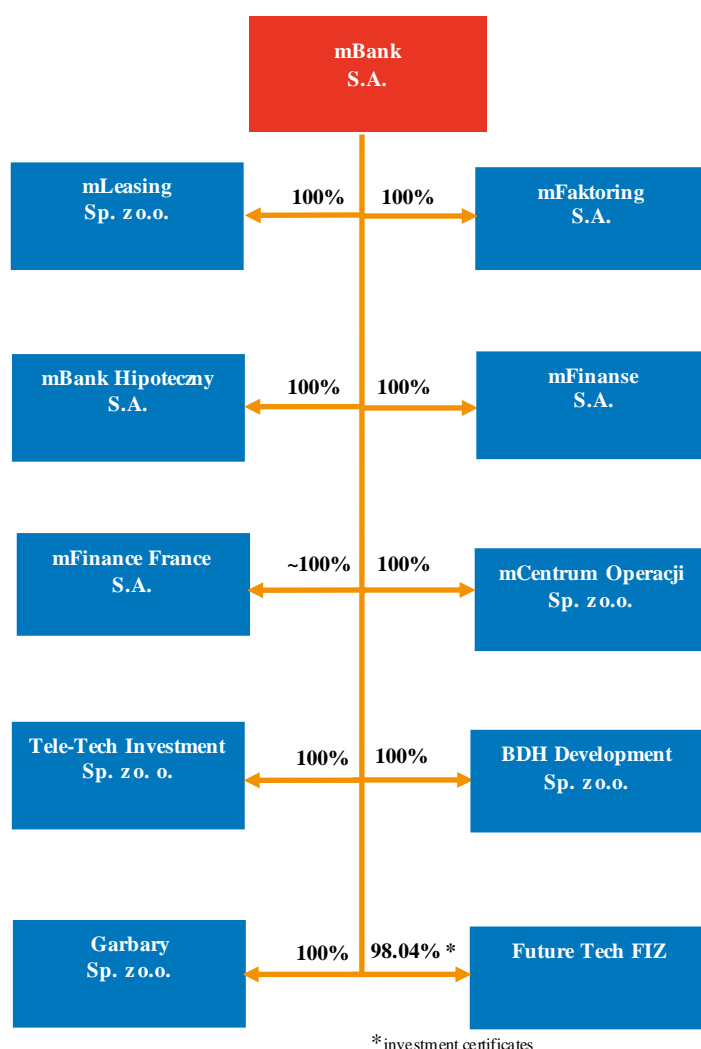
General Information

The Group comprises entities controlled by the Bank and which, in respect of the Bank, are of the following nature:

- (a) strategic: in respect of entities supporting the Bank's particular segments (Corporates and Financial Markets, and Retail), which were established or acquired to expand the Bank's offer in respect of its customers;
- (b) other: in respect of related companies acquired for debt, as a result of conciliatory agreements and composition arrangements with debtors made in order to recover a part or all the amounts due in respect of loans, and companies under liquidation or bankruptcy proceedings.

The diagram below shows the structure of the Group as at the date of this Base Prospectus.

The Bank's Material Subsidiaries



Introduction

General information on the Bank's material subsidiaries, listed in alphabetical order, is presented below. All material subsidiaries referred to below were included in the 2017 Consolidated Financial Statements. Unless otherwise stated, the Bank holds, directly and indirectly, 100 per cent. of the share capital of each subsidiary which entitles it to exercise 100 per cent. of the voting rights of the General Shareholders Meetings of the subsidiary. The core activities of the Bank's material subsidiaries comprise sales of the Bank's and third party financial products, including loans, business products, leasing and factoring.

BDH Development

Principal information:

Name and legal form: BDH Development Sp. z o.o. (limited liability company)

Registered office and address: Piotrkowska 173/515, 90-447 Łódź, Poland

Share capital: PLN 30,065,000

Core activities: carrying out and completing construction projects connected with the real estate taken over by the Group subsidiaries in the process of restructuring and investment debt collection with the aim of procuring

the most effective recovery of their value

Future Tech Fundusz Inwestycyjny Zamknięty

mBank holds 98.04 per cent. in the number of the Fund's investment certificates and voting rights.

Principal information:

Name and legal form: Future Tech Fundusz Inwestycyjny Zamknięty (closed-end investment fund)

Registered office and address: ul. Nowy Świat 6/12, 00-400 Warsaw, Poland

Share capital: PLN 223,416,000

Core activities: an investment vehicle of which within the framework of the mAccelerator project, the aim of which is to develop and then commercialise high-potential projects in the field of modern technologies supporting the financial services sector (FinTech). The governing body of the Fund is Quercus TFI S.A.

Garbary

Principal information:

Name and legal form: Garbary Sp. z o.o. (limited liability company)

Registered office and address: ul. Królewska 14, 00-065 Warszawa, Poland

Share capital: PLN 61,952,000

Core activities: administering real estate consisting of land located at ul. Garbary 101/111 in Poznań.

mBank Hipoteczny

Principal information:

Name and legal form: mBank Hipoteczny S.A. (joint-stock company)

Registered office and address: ul. Lecha Kaczyńskiego 26, 00-609 Warsaw, Poland

Share capital: PLN 321,000,000

Core activities: obtaining long-term funding through the issuance of covered bonds in order to improve the stability, and diversify, the financing of the Group's operations;
financing commercial real estate investments, including office buildings, shopping centres and facilities, hotels, warehouse and logistics areas and housing estates;
financing of public sector projects in the area of municipal investments and real estate for local government.

mCentrum Operacji

Principal information:

Name and legal form: mCentrum Operacji Sp. z o.o. (limited liability company)

Registered office and address: ul. Traktorowa 143, 91-203 Łódź, Poland
Share capital: PLN 26,551,500
Core activities: providing services in respect of settlement and servicing databases, and electronic archives, traditional archives and entering data.

On 1 March 2018, the Bank took over most of the tasks performed by mCentrum Operacji, together with its employees, property components and agreements assigned to them.

mFactoring

Principal information:
Name and legal form: mFactoring S.A. (formerly Polfactor S.A.) (joint-stock company)
Registered office and address: ul. Królewska 14, 00-065 Warsaw, Poland
Share capital: PLN 11,505,000
Core activities: providing factoring services for domestic, export and import transactions.

mFinance France

The Bank holds directly and indirectly shares representing 99.998 per cent. of the share capital of mFinance France, which entitles it to exercise 99.998 per cent. of the total number of voting rights at the General Shareholders' Meeting of this Company.

Principal information:
Name and legal form: mFinance France S.A.
Registered office and address: 23, rue de la Paix – 3, Place de l'Opéra, 75002 Paris, France
Share capital: EUR 500,000
Core activities: special purpose entity whose purpose is to raise funds for the Bank through the issuance of debt securities on international financial markets.

mFinanse (formerly Aspiro S.A)

Principal information:
Name and legal form: mFinanse S.A. (joint-stock company)
Registered office and address: Kilińskiego 74, 90-119 Łódź, Poland
Share capital: PLN 115,245,000
Core activities: sales of the Bank's and third-party financial products, including mortgage loans, cash loans, insurance products, investment products, leasing and factoring.

mLeasing

Principal information:
Name and legal form: mLeasing Sp z o.o. (limited liability company)

Registered office and address: ul. Ks. I. Skorupki 5, 00-963 Warsaw, Poland
Share capital: PLN 6,121,500
Core activities: acquiring, renting, and leasing real estate, acquiring, creating, renting and leasing all types of plots of land, buildings and facilities.

Tele-Tech Investment Sp. z o.o.

Principal information:
Name and legal form: Tele-Tech Investment Sp. z o.o. (limited liability company)
Registered office and address: ul. Senatorska 18A, 00-950 Warsaw, Poland
Share capital: PLN 564,500
Core activities: investments in securities and trading in receivables, executing securities transactions on its own account, management of controlled companies as well as business and management consulting services.

MANAGEMENT AND SUPERVISORY CORPORATE AUTHORITIES

In accordance with the KSH and Banking Law regulations, the Bank is managed by the Management Board and overseen by the Supervisory Board. The information provided below relating to the organisation, competencies and activities of the Management Board and Supervisory Board has been prepared based on the provisions of the KSH and the Banking Law, the Articles of Association of the Bank and the internal regulations of such bodies binding as at the date of this Base Prospectus.

Management Board

The governing body of the Bank is the Management Board.

Organisation and Competencies of the Management Board

The Management Board is composed of at least three members appointed for a joint term of office of five years by the Supervisory Board. The Management Board comprises the President and other members of the Management Board. The Supervisory Board may appoint members to the Management Board to the position of First Vice-President or Vice-President of the Management Board.

At least half of the members of the Management Board, including the President of the Management Board, have to hold Polish citizenship.

The term of a member of the Management Board expires, at the latest, at the General Shareholders' Meeting for approval of the financial statements for the last full financial year of the term of office of the Management Board. The term of a member of the Management Board also expires in the case of death, resignation, or dismissal of the member from the Management Board. The term of a member of the Management Board, appointed before the end of the term of office, expires on the expiration of the terms of the other members of the Management Board.

Two members of the Management Board, including the President of the Management Board, are appointed with the consent of the KNF. The Supervisory Board requests consent for the appointment and then must inform the KNF of the composition of the Management Board and of any changes made to its composition immediately after appointing or changing the composition of the Management Board. The Supervisory Board also informs the KNF of members of the Management Board who, under the segregation of duties, are responsible specifically for risk management and internal audit.

The President of the Management Board is the head of the Management Board. The responsibilities of the President include, among others:

- (a) heading the Management Board;
- (b) representing the Bank;
- (c) issuing internal regulations and instructions, rules, and other provisions that regulate the Bank's activities, however if required by a provision of law or internal regulation of the Bank, such internal regulations and instructions, rules, and other provisions should be based on a prior resolution of the Management Board on this respect; and
- (d) dividing competences among the Bank's directors, based on a resolution of the Management Board; however, no resolution in this respect can be passed without the consent of the President of the Management Board. Members of the Management Board manage the Bank's activities in accordance with the regulations of the Management Board.

Members of the Management Board may be entrusted by the President of the Management Board with supervision over specific areas of the Bank's activities.

The Management Board works on the basis of internal regulations approved by the Supervisory Board. The internal regulations determine, among other things, matters which require collective review and resolution by the Management Board.

The Management Board manages the Bank's business, represents the Bank, reviews the Bank's current matters and: (a) specifies the guidelines for the Bank's operations, specifically those exposed to risk, (b) monitors management reporting, (c) participates in defining the Bank's medium and long-term development plans, (d) oversees preparation and implementation of budgets and preparation of the Bank's financial statements, (e) reviews policies relating to human resources including bonuses and remuneration, (f) takes decisions relating to investments within the Management Board's powers, (g) grants and revokes proxies, (h) manages issues related to the Bank's organisation or otherwise submitted for review by the Supervisory Board and the General Shareholders' Meeting, and (i) determines detailed principles and organisation of accounting, capital adequacy, capital management, internal controls and risk management.

Issues requiring the passing of a resolution by the Management Board include among other things: (a) approving the Bank's financial statements and related matters for the previous financial year, (b) approving the report regarding Bank's operations for the previous financial year, (c) determining certain information policies for risk and capital adequacy management, (d) as a rule, approving acquisitions and disposals of real estate or other shares by the Bank, (e) as a rule, incurring liabilities or managing assets whose total value in respect of one entity exceeds 5 per cent. of the Bank's own funds, (f) securing proxies, (g) establishing organisational matters for the Bank, (h) establishing and liquidating branch offices and other organisational entities of the Bank, and (i) all decisions and transactions which require the consent or authorisation of the Supervisory Board.

Resolutions of the Management Board are passed by a majority of votes of the members of the Management Board present at the meeting and in the event that an even amount of votes is cast for and against, the President of the Management Board has a casting vote.

Without the consent of the Supervisory Board, members of the Management Board cannot engage in competing activities or have an interest in another competing legal entity. This restriction extends to members of the Management Board who hold at least 10 per cent. of the shares in the competing entity, or who have the right to appoint at least one member of its management board.

Members of the Management Board

New developments

In 2017, there were changes to the composition of the Bank's Management Board of the Bank. Two members of the Management Board, Hans Dieter Kemler (Vice-President of the Management Board and Head of Financial Markets), and Jarosław Mastalerz (Vice-President of the Management Board and Head of Operations and Information Technology), resigned from their functions as of 31 March 2017. Hans-Dieter Kemler decided to resign as he took up the position of a member of the management board in German Landesbank Hessen Thuringen (Helaba), responsible for financial markets, treasury and asset management. The reason behind the resignation of Jarosław Mastalerz was his intention to focus on the development and commercialisation of new technologies in the financial sector within the framework of mAccelerator.

On 30 March 2017, Vice-President of the Management Board, Chief Financial Officer, Christoph Heins, resigned from his functions at the Bank with effect from 30 June 2017.

On 30 March 2017, the Supervisory Board of the Bank appointed three new members of the Management Board of the Bank until the end of the current term of office of the Management Board.

Krzysztof Dąbrowski was appointed the Vice-President of the Management Board, Head of Operations and Information Technology, as of 1 April 2017. Prior to taking up this position, Krzysztof Dąbrowski was a Managing Director responsible for IT and technology at mBank.

Frank Bock was appointed the Vice-President of the Management Board, Head of Financial Markets, as of 1 May 2017. From the beginning of 2009, Frank Bock was the Managing Director for Treasury at Commerzbank. His duties included asset and liability management, market risk management and liquidity management for Commerzbank's Central and Eastern European operations.

Andreas Böger was appointed the Vice-President of the Management Board, Chief Financial Officer as of 1 July 2017. He joined Commerzbank in 2013 as the head of the Corporate Finance division within Commerzbank's Group Development and Strategy.

Furthermore, on 12 September 2017, Vice-President of the Management Board, Head of Corporate and Investment Banking, Przemysław Gdański, resigned from his functions at the Bank as of 25 October 2017. On 25 October 2017, the Supervisory Board of the Bank appointed Adam Pers, Managing Director for Financial Markets, on the position of the Vice-President of the Management Board, Head of Corporate and Investment Banking.

The mandates of all members of the Management Board expired on 12 April 2018, i.e. on the day of the Annual General Meeting approving financial statements of the Bank for 2017. On the same day the Supervisory Board of the Bank appointed the Management Board for a new term. The composition of the Management Board has not changed.

Basic information on the members of the Management Board in office as at the date of this Base Prospectus is set out below.

Full name	Age	Position on the Management Board	Date of coming into office	Date of end of the term of office
Cezary Stypułkowski	62	President of the Management Board, the Bank's Director General	1 October 2010	mBank's AGM in 2023
Franck Bock	51	Vice President of the Management Board, Head of Financial Markets	1 May 2017	mBank's AGM in 2023
Andreas Böger	45	Vice-President of the Management Board, Chief Financial Officer	1 July 2017	mBank's AGM in 2023
Krzysztof Dąbrowski	43	Vice-President of the Management Board, Head of Operations and Information Technology	1 April 2017	mBank's AGM in 2023
Lidia Jabłonowska-Luba	55	Vice-President of the Management Board, Chief Risk Officer	12 April 2013	mBank's AGM in 2023
Cezary Kocik	47	Vice-President of the Management Board, Head of Retail Banking	1 April 2012	mBank's AGM in 2023

<u>Full name</u>	<u>Age</u>	<u>Position on the Management Board</u>	<u>Date of coming into office</u>	<u>Date of end of the term of office</u>
Adam Pers	42	Vice-President of the Management Board, Head of Corporate and Investment Banking	26 October 2017	mBank's AGM in 2023

Source: The Bank

The mandates of all members of the Management Board who are in office as at the date of this Base Prospectus will expire on the day of the Annual Shareholders' Meeting in 2023 approving financial statements of the Bank for 2022.

Qualifications and Professional Experience

Cezary Stypulkowski

Cezary Stypulkowski holds a Ph.D. in Law from the University of Warsaw. In the late 1980s, he studied at Columbia University Business School in New York as a participant of the Fulbright Programme. Starting in 1991, he chaired the management board of Bank Handlowy S.A. (currently Citibank Group) for nearly thirteen years. Mr Stypulkowski was appointed as President of the management board of the PZU Group in 2003. He managed the company for three years. From 2006 to 2010 he worked for J.P Morgan in London, and from 2007 as Managing Director of J.P. Morgan Investment Bank in Central and Eastern Europe. Mr Stypulkowski was also a member of the International Advisory Board for Deutsche Bank Management Board, INSEAD International Advisory Board and the Geneva Association. Since 2012, Mr Stypulkowski has been co-chair of the Emerging Markets Advisory Council of the Institute of International Finance in Washington (IFF).

He was appointed President of the Management Board of the Bank on 2 August 2010, President of the Management Board of the Bank as of 1 October 2010 and approved as a President of the Management Board by the KNF on 27 October 2010.

Frank Bock

Frank Bock graduated from the Technical University in Karlsruhe (Germany) with a specialisation in financial engineering and IT. During his professional career, Frank Bock gained considerable experience in the scope of risk and treasury management in numerous institutions in Germany, the United States (New York) and Great Britain (London). Starting from 2009, Frank Bock was the Managing Director for Treasury at Commerzbank AG. His duties included asset and liability management, market risk management and liquidity management at Commerzbank in Central and Eastern Europe, as well as functional support in strategic subsidiaries of Commerzbank: Comdirect, Commerz Real and mBank. Previously, as the Asset and Liability Management Director in Group Capital and Treasury Management of Dresdner Bank AG in Frankfurt am Main, he was responsible for the management of market risk and liquidity portfolio. Prior to joining Dresdner Bank AG, Mr Bock worked for WestLB AG in Düsseldorf as Credit Treasury Head in Group Treasury and was a senior manager for risk management.

He was appointed Vice-President of the Management Board, Head of Financial Markets as of 1 May 2017.

Andreas Böger

Andreas Böger studied in Frankfurt and San Diego, graduated from the Frankfurt School of Finance & Management and holds the CFA certificate. He started his professional career in HypoVereinsbank in Munich in 1994, where he headed the team responsible for assets and liability management and capital

advisory. Between 2003-2013, Andreas Böger worked in Deutsche Bank in Frankfurt. In 2007-2013, he was a managing director of Global Capital Markets and Capital Solutions Europe & CEEMEA at Deutsche Bank in London. Mr Andreas Böger joined Commerzbank in 2013. Prior to taking up the position at mBank, he managed the corporate finance division within Commerzbank's Group Development and Strategy. His duties included preparation of the strategic balance sheet and management of Commerzbank Group's capital, as well as other tasks related to finance and regulatory activities.

He was appointed Vice-President of the Management Board, Chief Financial Officer as of 1 July 2017.

Krzysztof Dąbrowski

Krzysztof Dąbrowski graduated from Warsaw University of Technology, Faculty of Electronics and Information Technology. In 2011, he completed the Executive MBA programme at the University of Warsaw and the University of Illinois. Between 1995-2003, he worked in the internet and telecommunications industry for Polska Online and TDC Internet, where he was responsible for the development of hosting systems and services. Between 2004-2011, as the head of the Software Development Department, he co-created the Polish service centre of F. Hoffman-La Roche. In the following years, as the CTO of Allegro Group, Krzysztof Dąbrowski supervised one of the largest agile transformations in the region. Since 2014, he performed the function of the managing director for IT and technology at mBank.

He was appointed Vice-President of the Management Board, Head of Operations and IT as of April 1 2017.

Adam Pers

Adam Pers graduated from the Poznań University of Economics. In 2008, he completed an MBA programme organised by the Warsaw School of Economics. He gathered comprehensive banking knowledge and experience working in three institutions. He commenced his professional career as an intern in Wielkopolski Bank Kredytowy S.A., then he worked in Raiffeisen Bank Polska S.A. Group for many years, at first in back office, then in corporate banking and finally in the financial markets area. In Pekao S.A., he was responsible for strategic projects concerning the reshaping of the dealing room and for one of the pillars of the bank's strategy and during the financial crisis, as the operational committee member, he was responsible for the bank's liquidity. In 2012, Adam Pers joined BRE Bank/mBank, where his first task was to restructure the financial markets practice. Then, as a managing director, he supervised the integration of the financial markets practice area with financial institutions and finally, trading.

He was appointed Vice-President of the Management Board, Head of Corporate and Investment Banking as of 26 October 2017.

Lidia Jabłonowska-Luba

Lidia Jabłonowska-Luba graduated from the Mathematics Institute of the University of Gdańsk. From 1994 to 2001, Ms Jabłonowska-Luba was Vice-President of Schroder Salomon Smith Barney Poland, where she advised a number of clients, financial institutions in particular, on M&A and public equity transactions. In 2002, Ms Jabłonowska-Luba joined Citigroup in Poland, first as the Head of the Financial Institutions & Public Sector Division and from November 2003 as the Member of the Management Board in charge of finance and operational risk management, capital management and the implementation of the New Capital Accord. From 2008 to 2010, she served as Vice-President of the Management Board of Kredyt Bank and Adviser to the CEO of Warta S.A. and TUnŻ Warta S.A., acting as Chief Finance and Risk Officer. From 2010 to 2012 Ms Jabłonowska-Luba was the Senior General Manager at KBC Group in Brussels. Additionally, Ms Jabłonowska-Luba held the position of Vice Chairman of the Group Risk Management Committee and also served as a member of the Group Risk and Capital Oversight Committee and ALCO at KBC Group. In 2012, she served as a member of the Supervisory Board of Kredyt Bank.

On 11 April 2013, Ms Jabłowska-Luba was appointed as Vice-President of the Management Board of the Bank; approved as Vice-President of the Management Board responsible for the risk management, Chief Risk Officer, by the KNF on 17 September 2013.

Cezary Kocik

Cezary Kocik graduated with a degree in Banking and Finance from the University of Łódź. In 2015, he completed the Advanced Management Program at Harvard Business School. He is a licensed stockbroker. From 1994 to 1996 Mr Kocik was employed at the brokerage house of Bank PBG as a stockbroker. In 1996 he joined PBG Bank's Investment Banking Department as a chief specialist in charge of arrangement and execution of acquisitions of strategic companies. From 1997 to 2000 he successfully carried out a number of corporate loan restructuring processes in PBG Bank and then in its successor – Bank Pekao S.A. Between 2000 and 2004 he was a director of Pekao's branch in Łódź, the then fifth largest branch in the bank's network. He has been shaping mBank's retail banking since 2004: first in the retail credit risk area (where he introduced the bank's first guaranteed limits for retail clients), then in the sales and business processes area, contributing to successful implementation of CRM system and substantially improving the effectiveness of key sales processes in direct channels.

Since 1 April 2012 he has been a Member of the Management Board. Currently, Mr Kocik is Vice President of the Management Board, Head of Retail Banking.

Business Address

The business address of all members of the Management Board is:

ul. Senatorska 18,

00-950 Warsaw

Poland

Positions held by members of the Management Board in other companies

The table below presents information on other companies and partnerships in which, during the last five years, the current members of the Management Board: (i) held positions in management or supervisory bodies; (ii) held shares (in the case of companies listed on the WSE or on any other regulated market in Poland or abroad, in a number representing more than 1 per cent. of the votes at the general meeting of such company); or (iii) were partners.

Name	Name of the company	Position	Does the Management Board member continue to serve in this capacity?
Cezary Stypułkowski	Dom Maklerski mBanku*	Chairman of the Supervisory Board	No
	mBox Sp.z o.o.*	Chairman of the Supervisory Board	Yes
Frank Bock	mBank Hipoteczny S.A.*	Chairman of the Supervisory Board	Yes
	Dresdner Bank	Head of Treasury	No

Name	Name of the company	Position	Does the Management Board member continue to serve in this capacity?
	Group/Commerzbank Group	Europe, Managing Director, Member of the Management Committee of Group Treasury, Head of ALM – Market Risk	
Andreas Böger	Düsseldorfer Hypothekbank AG	Member of the Supervisory Board	Yes
	VALOVIS BANK GmbH	Member of the Supervisory Board	Yes
	mBank Hipoteczny S.A.*	Member of the Supervisory Board	Yes
	mLeasing Sp. z o.o.*	Member of the Supervisory Board	Yes
	BDH Development Sp. z o.o.*	Chairman of the Supervisory Board	Yes
Krzysztof Dąbrowski	mBox Sp z o.o.	Member of the Supervisory Board	Yes
	mCentrum Operacji Sp. z o.o.*	Chairman of the Supervisory Board	Yes
Lidia Jabłonowska-Luba	Kredyt Bank S.A.	Vice-president of the Management Board	No
	Kredyt Bank S.A.	Member of the Supervisory Board	No
	mBank Hipoteczny S.A.*	Deputy Chairman of the Supervisory Board	Yes
	mLeasing Sp. z o.o.*	Member of the Supervisory Board	Yes
	Stowarzyszenie Mariański Komitet Gospodarczy	Member of the Supervisory Board	Yes
	Stowarzyszenie Wspierania Edukacji i Rodziny STERNIK	Member of the Supervisory Board	Yes
Cezary Kocik	mFinanse S.A.*	Chairman of the Supervisory Board	Yes

Name	Name of the company	Position	Does the Management Board member continue to serve in this capacity?
	mBank Hipoteczny S.A.*	Chairman of the Supervisory Board	No
	mBank Hipoteczny S.A.*	Member of the Supervisory Board	Yes
	mLeasing S.A.*	Deputy Chairman of the Supervisory Board	No
	BRE Ubezpieczenia TUIR S.A.*	Deputy Chairman of the Supervisory Board	No
	mWealth Management*	Chairman of the Supervisory Board	No
	BRE Ubezpieczenia Sp. z o.o.*	Deputy Chairman of the Supervisory Board	No
	BRE Agent Ubezpieczeniowy Sp. z o.o.*	Deputy Chairman of the Supervisory Board	No
	BRE Agent Ubezpieczeniowy Sp. z o.o.*	Member of the Supervisory Board	No
	mBox Sp. z o.o.*	Vice-chairman of the Supervisory Board	Yes
	Krajowa Izba Rozliczeniowa S.A.	Member of the Supervisory Board	Yes
Adam Pers	mLeasing Sp. z o.o.*	Chairman of the Supervisory Board	Yes
	mFactoring S.A.*	Chairman of the Supervisory Board	Yes
	mCorporate Finance S.A.*	Chairman of the Supervisory Board	Yes

* Indicates mBank Subsidiaries (or former mBank Subsidiaries)

Source: The Bank

Supervisory Board

The Supervisory Board exercises regular supervisions over the Bank's operations.

Organisation and Competences of the Supervisory Board

The Supervisory Board is comprised of not less than five members elected by the General Shareholders' Meeting, for a joint term of office of three years.

At least half of the members of the Supervisory Board, including the Chairman, have Polish citizenship, permanently reside in Poland, speak Polish and have experience on the Polish market which can be used in supervision of the Bank.

The terms of members of the Supervisory Board expire, at the latest, on the day of the General Shareholders' Meeting for approval of the financial statements of the Bank for the last full year of the term of office of the members of the Supervisory Board. The term of a member of the Supervisory Board also expires in the case of death, resignation, or dismissal of the member. The term of a member of the Supervisory Board, appointed before the end of the term of office, expires at the same time as the expiry of the term of other members of the Supervisory Board.

The number of members of the Supervisory Board is determined by the General Shareholders' Meeting. At least two of the Supervisory Board members have to be independent Supervisory Board members, unless the General Shareholders' Meeting decides otherwise. An independent member of the Supervisory Board is a member of the Supervisory Board who, as of the date of its election, meets all the following conditions:

The Supervisory Board elects the Chairman and Deputy Chairmen from among its members.

- (a) during the last five years has not held the position of the Management Board member at the Bank;
- (b) during the last five years has not held the position of Management Board member at any associate company of the Bank within the meaning prescribed by the Accounting Act;
- (c) during the last three years has not been an employee of the Bank, any entity dependent on the Bank or an employee of any associate company of the Bank within the meaning prescribed by the Accounting Act;
- (d) does not have any factual and essential relations with a shareholder having the right to exercise at least 5 per cent. of all votes at the General Meeting of the Bank;
- (e) has not received any remuneration from the Bank nor from any associate company of the Bank, within the meaning prescribed by the Accounting Act, of any kind, except for remuneration for participation in the Supervisory Board of the Bank;
- (f) is not a shareholder of the Bank and does not represent any shareholder acting as a dominating entity in respect of the Bank;
- (g) during the last year, has not been a significant client or business partner of the Bank or any associate company of the Bank, within the meaning prescribed by the Accounting Act, directly or in the form of an associate, shareholder, director, or senior management officer at an entity being in such relation with the Bank;
- (h) during the last three years, has not been an associate or employee of the current or former chartered auditor of the Bank or any associate company of the Bank;
- (i) is not a member of the management board at a company in which a member of the Management Board of the Bank is a member of the supervisory board, and has no other significant associations with members of the Management Board of the Bank by participation in other companies or governing bodies;

- (j) may not hold the position of an independent member of the Bank's Supervisory Board for longer than 12 years; and
- (k) is not a spouse, descendant, adoptee, daughter-in-law or son-in-law of a member of the Management Board or the Supervisory Board of the Bank or any persons mentioned in (a) to (j).

The Supervisory Board elects the Chairman and Deputy Chairmen from among its members.

A member of the Supervisory Board whose term expired in the course of the joint term of office of the Supervisory Board can be replaced by another person elected by the Supervisory Board. The election of members of the Supervisory Board within the joint term of office of the Supervisory Board requires the approval of the next General Shareholders' Meeting. If the General Shareholders' Meeting refuses to approve any member of the Supervisory Board elected within the joint term of office, the General Shareholders' Meeting shall elect another member of the Supervisory Board in lieu of the person whose election was refused. If the number of members of the Supervisory Board is less than five due to the expiration of the terms of members of the Supervisory Board within the joint term of office, the Supervisory Board shall elect new members to replace the members whose terms have expired.

In addition to the rights and obligations prescribed by law and the Articles of Association, the responsibilities of the Supervisory Board specifically include the following matters: (a) approving the proposals of the Management Board concerning the Bank's essential organisational structure, (b) approving the Bank's annual financial plans and multi-annual development plans, (c) examining all motions and matters subject to resolutions of the General Shareholders' Meeting, (d) issuing or approving rules provided for in the Articles of Association, (e) defining management contracts and setting remuneration for members of the Management Board, (f) receiving information on formation, acquisition, closing and disposal of branches, permanent establishments and parts of a business as well as of initiating and terminating lines of business and fields of activity in advance, (g) approving conclusion or amendment of each significant agreement or arrangement with the members of the Management Board or the Supervisory Board, (h) approving conclusion, amendment or termination of any significant affiliation agreements or co-operation treaties, (i) receiving information on expected deviations from the annual budget, (j) issuing general guidelines for the Management Board regarding the level and structure of remuneration for senior management of the Bank, (k) approving the policy on variable items of remuneration of the persons holding managerial positions at the Bank, and (l) issuing opinions regarding transactions with related entities (if the total expected amount of a single transaction exceeds 20 per cent. of the Bank's own funds, calculated as at 31 December of the preceding year. Opinions of the Supervisory Board will not be required with regards to derivative transactions where risk is limited through collateral posting, however, the Supervisory Board will be informed of such transactions).

The Supervisory Board passes resolutions if at least half of its members are present and all of its members were invited. In specific cases, members of the Supervisory Board may participate in passing resolutions voting in writing via another member of the Supervisory Board. Voting in writing cannot refer to issues introduced to the agenda at the Supervisory Board meeting. The Supervisory Board may pass resolutions in writing or using direct remote communication. A resolution is valid when all the members of the Supervisory Board were notified of the content of the draft resolution. Resolutions of the Supervisory Board require an ordinary majority of votes, in the event of an even number of votes cast for and against, the vote of the Chairman of the Supervisory Board prevails. Without the consent of the majority of independent members of the Supervisory Board resolutions on the following issues should not be passed: (a) performance of any kind by the Bank or entities related to the Bank on behalf of members of the Management Board, and (b) granting consent to the Bank's concluding of a material contract with an entity related to the Bank, member of the Supervisory Board or Management Board and with their related entities.

Standing Committees of the Supervisory Board

The Supervisory Board may appoint a Standing Committee whose members perform their functions as members of the Supervisory Board delegated to carry out specific supervision activities at the Bank. The scope of authority of a Standing Committee is set out in a resolution of the Supervisory Board. In particular, the Supervisory Board may appoint the following Standing Committees:

- The Executive and Nomination Committee, whose authority includes, among others, the following: (a) exercising regular supervision of the operations of the Bank between meetings of the Supervisory Board; (b) authorising the Board of Management to acquire, encumber, and sell real estate, a perpetual usufruct or part of real estate and shares in companies as well as other fixed assets, if the value of these transactions exceeds 1 per cent. of the Bank's own funds as at 31 December of the preceding year. Such authorisation is not required if such acquisition results from execution, bankruptcy, or negotiation procedures, or other settlements with the Bank's debtors, or in the case of sale of assets so acquired; and (c) performing the initial recruitment process of candidates for Members of the Management Board and the Supervisory Board of the Bank.
- The Audit Committee, whose authority includes, among others, the following: (a) giving opinions about the election of the independent auditor by the General Shareholders' Meeting and being informed about the Bank's quarterly reports of balance sheets and profit and loss accounts before their publication; (b) recommending approval or rejection of financial statements by the Supervisory Board, (c) exercising regular supervision over the internal audit system at the Bank, including supervision over the activity of the Internal Audit Department; (d) approving personnel changes, proposed by the Management Board, to the posts of head of the Internal Audit Department and head of the Compliance Department; (e) recommending approval or disapproval to the Supervisory Board of the Bank's principles of capital adequacy disclosure; and (f) recommending approval or disapproval to the Supervisory Board of the Bank's compliance policy, and the annual report on compliance risk management at the Bank.

The Audit Committee includes at least one independent Supervisory Board member qualified and experienced in accounting and finance;

- The Risk Committee, whose authority includes, among others, the following: (a) exercising regular supervision of credit risks, market risks and operational risks as well as approving individual counterparty risk according to the parameters defined by the Supervisory Board from time to time; (b) recommending approval or disapproval to the Supervisory Board for transactions between the Bank and the members of the Bank's bodies, as provided by the Banking Law; (c) recommending approval or disapproval to the Supervisory Board of the Bank's principles of risk management disclosure; (d) recommending approval or disapproval to the Supervisory Board of strategies and policies prepared by the Management Board, in particular outlined in the internal capital adequacy assessment process, and as defined by resolutions of the Supervisory Board; (e) issuing opinions about the Bank's overall current and future risk appetite and strategy; and (f) issuing opinions about the Bank's risk management strategy developed by the Management Board and reviewing information regarding the execution of this strategy presented by the Management Board, and supporting the Supervisory Board in supervising implementation of the Bank's risk management strategy by senior management.
- The Remuneration Committee, whose authority includes, among other things, the following: (a) reviewing principles and amounts of remuneration of Members of the Management Board, including the setting of relevant amounts; (b) tabling opinions concerning approval for Members of the Management Board of the Bank to engage in competitive activity; (c) issuing recommendations to the Supervisory Board regarding general guidelines for the Management Board on the level and structure of remuneration for the senior management of the Bank and the policy of variable items of remuneration of the persons holding managerial positions at the Bank; (d) monitoring the level and structure of remuneration of the senior management; and (e) issuing opinions and monitoring the

remuneration policy adopted by the Bank and assisting in the development and implementation of this policy.

The Standing Committees of the Supervisory Board present annual reports to the Supervisory Board on their activities. The Bank makes the report available to the shareholders before the Ordinary General Shareholders' Meeting.

As at the date of this Base Prospectus:

- The Executive and Nomination Committee is composed of: Maciej Leśny (Chairman), Stephan Engels, Andre Carls and Teresa Mokrysz;
- The Audit Committee is composed of: Tomasz Bieske (Chairman), Andre Carls, Janusz Fiszer, Jörg Hessenmüller and Agnieszka Słomka-Gołębiowska. The Audit Committee includes three members who meet the independence criteria (Tomasz Bieske, Janusz Fiszer and Agnieszka Słomka-Gołębiowska). All members of the Audit Committee have the qualifications required by law in accounting or audit;
- The Risk Committee is composed of: Marcus Chromik (Chairman), Mirosław Godlewski, Thorsten Kanzler and Agnieszka Słomka-Gołębiowska; and
- The Remuneration Committee is composed of: Andre Carls (Chairman), Tomasz Bieske, Stephan Engels and Maciej Leśny.

Members of the Supervisory Board

Basic Information

The 30th Annual General Meeting of Shareholders held on 30 March 2017 elected the following twelve Members of the Supervisory Board for a joint term of three years:

1. Maciej Leśny – Chairman of the Supervisory Board
2. Stephan Engels – Deputy Chairman of the Supervisory Board
3. Tomasz Bieske – Member of the Supervisory Board
4. Andre Carls – Member of the Supervisory Board
5. Marcus Chromik – Member of the Supervisory Board
6. Janusz Fiszer – Member of the Supervisory Board
7. Mirosław Godlewski – Member of the Supervisory Board
8. Jörg Hessenmüller – Member of the Supervisory Board
9. Thorsten Kanzler – Member of the Supervisory Board
10. Michael Mandel – Member of the Supervisory Board
11. Teresa Mokrysz – Member of the Supervisory Board
12. Agnieszka Słomka-Gołębiowska – Member of the Supervisory Board

The table below sets out information on the members of the Supervisory Board who held their positions as at the date of this Base Prospectus.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date on which the current term began</u>	<u>Expiration of the term of office</u>
Maciej Leśny	72	Chairman of the Supervisory Board	30 March 2017	On the date of the AGM in 2020
Stephan Engels	55	Deputy Chairman of the Supervisory Board	30 March 2017	On the date of the AGM in 2020
Tomasz Bieske	63	Member of the Supervisory Board (independent member)	30 March 2017	On the date of the AGM in 2020
Andre Carls	54	Member of the Supervisory Board	30 March 2017	On the date of the AGM in 2020
Marcus Chromik	45	Member of the Supervisory Board	30 March 2017	On the date of the AGM in 2020
Janusz Fiszer	61	Member of the Supervisory Board (independent member)	30 March 2017	On the date of the AGM in 2020
Mirosław Godlewski	51	Member of the Supervisory Board (independent member)	30 March 2017	On the date of the AGM in 2020
Jörg Hessenmüller	48	Member of the Supervisory Board	30 March 2017	On the date of the AGM in 2020
Thorsten Kanzler	53	Member of the Supervisory Board	30 March 2017	On the date of the AGM in 2020
Michael Mandel	51	Member of the Supervisory Board	30 March 2017	On the date of the AGM in 2020
Teresa Mokrysz	66	Member of the Supervisory Board	30 March 2017	On the date of the AGM in 2020
Agnieszka Słomka-Gołębiowska	42	Member of the Supervisory Board (independent member)	30 March 2017	On the date of the AGM in 2020

Source: The Bank

The mandates of all members of the Supervisory Board who are in office as at the date of this Base Prospectus will expire on the day of the General Shareholders' Meeting for approval of the financial statements for the last full financial year of the member of the Supervisory Board being in office at the latest.

Qualifications and professional experience

Maciej Leśny

Chairman of the Supervisory Board of the Bank

In 1969 Maciej Leśny completed his studies at the Faculty of Economic Sciences at the Warsaw University. During his professional career, Mr Leśny worked for six years in the shipbuilding industry in Gdańsk and eight years for Zakłady Elektronicznej Techniki Obliczeniowej. For more than 22 years he had worked in the central state administration, including eight years in the position of Undersecretary of State: in the Ministry of Foreign Economic Co-operation; the Ministry of Economy; the Ministry of Economy, Labour and Social Policy; and finally in the Ministry of Infrastructure.

He completed post-graduate studies and training in the United States at the Michigan University (Business School of Administration) and De Paul University (Chicago). In 1992-1993, as a scholarship holder of the US government, Mr Leśny studied at the American University in Washington, DC. During his scholarship he

served a four-month internship at the World Bank and completed a privatisation training course in the International Monetary Fund.

From March 1994 to 1998, Mr Leśny was the Chairman of the Supervisory Board of BRE Bank (currently mBank). By December 2001, he had become a Member of the Supervisory Board. In 2004, Mr Leśny was re-elected Chairman of the Supervisory Board.

Business address:

mBank S.A.
ul. Senatorska 18
00-950 Warsaw
Poland

Stephan Engels

Deputy Chairman of the Supervisory Board of the Bank

Stephan Engels studied Business Administration at the University of St. Gallen. Between 1988 and 1993 he worked at Daimler-Benz AG's internal audit department. Between 1993 and 1996 he headed the Regional Controlling Europe at debis AG. From 1996 to 2000, he served as Chief Financial Officer at debis AirFinance B.V. In 2000, he joined DaimlerChrysler Bank AG, initially as Member of the Board for Credit and later as Chief Financial Officer and IT.

From 2003, he worked at DaimlerChrysler Services AG, as a Member of the Board for Finance, Controlling, Risk Management and Strategy. From 2007 to 2012, he was a Member of the Executive Committee of Mercedes-Benz Car Group for Finance & Controlling and Head of Management Group Controlling at Daimler AG.

Mr Engels has been a Member of the Board of Managing Directors at Commerzbank AG since April 2012.

Business address:

Commerzbank AG
Kaiserstraße 16
60311 Frankfurt am Main
Germany

Tomasz Bieske

Member of the Supervisory Board of the Bank (independent member)

Mr Bieske studied economics at the University of Cologne. He worked in Dresdner Bank's head office in Frankfurt for six years. In 1990, he co-founded Arthur Andersen in Poland and became the Head of Financial Markets Group responsible for cooperation with financial sector clients. He participated in key projects in the financial services sector including the preparation of public offerings of PKO BP S.A and Kredyt Bank S.A. as well as audits of financial statements of the National Bank of Poland, PKO BP S.A., Pekao S.A., Getin Holding and a number of other banks. He managed many advisory projects in the banking sector.

Since 2011, he has been participating in the work of the committee for legal and business regulatory changes of the cooperative banking sector and closely cooperating with the Polish Bank Association (Związek Banków Polskich) and the National Association of Cooperative Banks (Krajowy Związek Banków Spółdzielczych). Tomasz Bieske has the professional qualifications of a Polish statutory auditor. Until June 30, 2013, he worked for Ernst & Young.

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Andre Carls

Member of the Supervisory Board of the Bank

Having studied business economics and completed a doctorate at the University of Cologne, Dr Carls joined Commerzbank through an international trainee programme in 1990.

He subsequently held various positions in Corporate Finance and Capital Markets in Frankfurt and from 1998 to 2000 was Executive Director of the Investment Banking Division of Commerzbank in London. From 2000 to 2008, Dr Carls was a member of the Board of Managing Directors of comdirect bank AG, from September 2002 to November 2004 as CFO and from November 2004 to March 2008 as CEO. From March 2008, to September 2008 he held the position of Vice-President of the Management Board and CFO of BRE Bank S.A. (currently mBank S.A.).

From March 2008 to December 2013, Dr Carls has been CEO of Commerzbank Auslandsbanken Holding AG and CEO of Central & Eastern Europe-Holding of Commerzbank AG.

Between 2014-2015, Dr. Carls held the position of Managing Director of the segment of medium-sized corporate clients for the northern regions and western Germany, while from 2015 he has been responsible for the Western Germany region.

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Germany

Marcus Chromik

Member of the Supervisory Board of the Bank

Marcus Chromik studied in Munich, Göttingen, and Kiel. He also spent time in the US engaged in scientific research in Michigan. Mr Chromik holds a PhD in nuclear physics. He started his professional career with McKinsey in 2001. In 2004 he joined Postbank Group, where he held various executive positions, including new issues and syndication, liquidity management, and Credit Treasury. Then he served as Chief Market Risk Officer for Commerzbank for more than three years and was responsible for the Bank's market and liquidity risk management.

Dr Marcus Chromik has been a Divisional Board Member and Chief Credit Risk Officer for the Core Bank since 2012. On 4 November 2015, the Supervisory Board of Commerzbank appointed him to the Board of Managing Directors. He took up his post as Chief Risk Officer on 1 January 2016.

Business Address:
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Kaiserstraße 16
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Janusz Fiszer

Member of the Supervisory Board of the Bank (independent member)

Dr Janusz Fiszer is a legal advisor and a certified tax advisor. He is a graduate of the Faculty of Law and Administration of the University of Warsaw, and is a specialist in the field of tax and financial law. Since 1980, Janusz Fiszer has been an employee of the University of Warsaw, the Faculty of Management. In addition, between 1991-1998, he was a senior advisor at the international law firm White & Case and served as a partner between 1998-2012,. From 2012 to 2013, Dr Fiszer was a partner in the tax & legal department of the PricewaterhouseCoopers (PwC) and in January 2014, he joined the GESSEL law firm as a partner.

Dr Janusz Fiszer is a lecturer in international tax law at the Postgraduate Programme of International Tax Strategies at Warsaw School of Economics (SGH). He was a scholarship holder of the University of Kansas School of Business in Lawrence, Kansas, USA (1982-1983) and of Deutscher Akademischer Austauschdienst (DAAD) as well as of the Fritz Thyssen Foundation (Fritz Thyssen Stiftung) at the University of Munich in Germany (1988-1989 and 1990). Since 1993, he has been a member of the editorial board of the Monitor Podatkowy monthly journal. Since the 1990s, he has worked as a correspondent for the Tax Notes International professional periodical in the United States. Dr Janusz Fiszer is a co-founder and a member of the Supervisory Board of the Polish branch of the International Fiscal Association (IFA).

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Mirosław Godlewski

Member of the Supervisory Board of the Bank (independent member)

Mirosław Godlewski completed the MBA programme at Warsaw University of Technology, the MBA programme at Ashridge Management College and the Harvard Business School Advanced Management Program.

He is the Executive Chairman of Apteka Gemini, Senior Advisor at BCG, a Member of the Supervisory Board of Celon Pharma S.A., a Member of the Supervisory Board of Netia S.A. and the so-called “Angel Investor” at Hedgehog Fund.

Mr Godlewski was a member of the Supervisory Board at ABC Data S.A. and a member of the Nomination and Remuneration Committee. Between 2007-2014, he was the President and CEO of Netia S.A. He also held executive positions with Opoczno S.A., Pepsi Cola General Bottlers-Polska Sp. z o.o., DEC Sp. z o.o. and MEMRB Polska.

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Jörg Hessenmüller

Member of the Supervisory Board of the Bank

Jörg Hessenmüller graduated from Hochschule für Bankwirtschaft in Frankfurt am Main in 1997 and was awarded a Master's in Management (Diplom – Betriebswirt (FH)). From 1989 to 2009 he worked for Dresdner Bank, holding the positions of, among others, Head of Financial Control responsible for London, New York, Moscow, Sao Paulo and Asia. In 2009, Mr Hessenmüller was appointed Managing Director in Commerzbank Group and worked as the Head of Investment Banking Finance, Group Finance and was also responsible for controlling and management reporting of Corporates and Markets, the Portfolio Restructuring Unit, Group Treasury and Public Finance.

From April 2012 to June 2016, he was the Bank's Member of the Management Board, Chief Financial Officer.

Since July 2016, Mr Jörg Hessenmüller has been the Managing Director in the Commerzbank Group responsible for Group Management Development and Strategy.

Business address:
Commerzbank AG
Kaiserstraße 16
60311 Frankfurt am Main
Germany

Thorsten Kanzler

Member of the Supervisory Board of the Bank.

Thorsten Kanzler studied mechanical engineering and economics at the University of Technology in Darmstadt (Germany), where he obtained the Diplom-Wirtschaftsingenieur (M.Sc. Eng.).

From 1991 to 2004 he was employed at Deutsche Bank AG on various positions in the treasury and risk management area in Frankfurt, New York, Sydney and London. Between 2004 and 2007, Mr. Kanzler was Group Treasurer and Divisional Board Member of Corporate & Investment Banking in WestLB AG in Düsseldorf.

From May 2007, Mr. Kanzler was Head of Group Treasury & Capital Management at Dresdner Bank AG in Frankfurt am Main. Since the beginning of 2009, Mr. Kanzler has been Divisional Board Member for Group Treasury at Commerzbank AG. Mr. Kanzler is responsible for assets and liabilities management, risk management of the banking books, capital management and funding.

Business address:
Commerzbank AG
Kaiserstraße 16
60311 Frankfurt am Main
Germany

Michael Mandel

Member of the Supervisory Board of the Bank

Michael Mandel studied business administration at the University of Münster. Between 1986 and 2000, he was associated with Dresdner Bank, where he was responsible for private banking. Between 2000-2002, he was a consultant with McKinsey & Company.

Since 2002, Michael Mandel has worked for Commerzbank AG, first as the Head of Business Development for the Private Customer Segment, and then the Group Manager for Private and Business Customers. In 2008 he was appointed CEO of Comdirect Bank AG. Since 2010 he was a Member of the Divisional Board of

Commerzbank AG – Private Customers. In May 2016, Michael Mandel was appointed a Member of the Board of Managing Directors at Commerzbank AG responsible for the segment of Private and Business Customers.

Business address:
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Kaiserstraße 16
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Germany

Teresa Mokrysz

Member of the Supervisory Board of the Bank

A graduate of the Academy of Economics (now the University of Economics) in Katowice (1978).

In 1990, Teresa Mokrysz created the brand "Mokate", one of the most recognisable Polish brands in the world. She transformed a small family-run company into a group of international companies with worldwide operations. As a co-owner, she directs nine Mokate companies with their business seats in Poland and Central Europe. She has built from scratch production plants in Żory and Ustroń and expanded a production plant near Prague (production of coffee, tea, confectionary, ingredients for the food industry). She has successfully launched her products in several dozen countries on all continents.

In 2000, the International Association of Women Entrepreneurs from Los Angeles awarded her with the title "The Leading Women Entrepreneurs of the World". Teresa Mokrysz has been the recipient of numerous prestigious awards in Poland and abroad, including the "Leader of the Decade" title granted by Gazeta Wyborcza, and the "Success of the Decade" title granted by the Businessman Magazine. She funds scholarships for talented and underprivileged young people and provides financial support to health care institutions, nursing care homes, orphanages and schools.

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ul. Katowicka 265a
43-450 Ustroń
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Agnieszka Słomka-Gołębiowska

Member of the Supervisory Board of the Bank (independent member)

Ms Agnieszka Słomka-Gołębiowska holds a PhD in Economics and MSc. in Finance and Banking from the Warsaw School of Economics, as well as a MBA from the French Institute of Management (IFG).

Ms Słomka-Gołębiowska works as a lecturer at Warsaw School of Economics and she conducts research on corporate governance. She has attended several Executive Education courses, e.g. the IESE-Harvard Business School programme.

From 2006 to 2009, she was the Director in the Industrial Development Agency responsible for corporate governance, and before that, a consultant for private and public companies at Arthur Andersen. Since 2006, she has been a member of supervisory boards. Agnieszka Słomka-Gołębiowska was a holder of the Alexander von Humboldt Fellowship at the University of Münster and the Polish-American Fulbright Fellowship at the University of California, Berkeley. She was also a visiting scholar at universities in Cambridge (MIT), Tucson (UOA), Münster, Copenhagen (CBS), Birmingham (BBS), Berlin (HSoG), Genoa

(UoG - Law School), Vienna (WU) and Florence (UniFi). She is the author of many publications on corporate governance.

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 Poland

Except for Dr Andre Carls and Jörg Hessenmüller, who were members of the Management Board and the Vice-Presidents of the Bank's Management Board, none of the Supervisory Board members have held any positions in the Bank.

Positions held by members of the Supervisory Board in other companies

In the table below, information on other companies in which members of the Supervisory Board held management board or supervisory board positions during the last five years is shown.

Name	Name of company	Position	Does the Supervisory Board member continue to serve in that capacity?
Maciej Leśny	Fusion Invest Polska S.A.	Member of the Supervisory Board	Yes
	Track Tec S.A.	Member of the Supervisory Board	Yes
Stephan Engels	Commerzbank AG	Member of the Board of Managing Directors	Yes
	CommerzVentures GmbH	Deputy Chairman of the Board of Administration	Yes
	Mercedes-Benz Car Group	Member of the Executive Committee	No
	Daimler AG	Authorised Signatory	No
	MBtech Group GmbH&Co. KGaA	Member of the Executive Committee	No
	MBtech Verwaltungs-GmbH	Member of the Advisory Board	No
	Mercedes-Benz Belgium Luxembourg S.A.	Member of the Board of Directors	No
	Mercedes-Benz Museum GmbH	Member of the Advisory Board	No
	Mercedes-Benz USA, LLC	Member of the Board of Directors	No
	EIS Einlagensicherungs-bank GmbH	Member of the Advisory Board	Yes
Tomasz Bieske	KRUK SA	Member of the Supervisory Board	Yes
	PCM SA	Member of the Supervisory Board	Yes
	ALTUS TFI SA	Member of the Supervisory Board	Yes
	Nest Bank SA	Member of the Supervisory Board	No

Name	Name of company	Position	Does the Supervisory Board member continue to serve in that capacity?
Andre Carls	Arvato infoscure GmbH	Member of the Advisory Board	No
	Frankfurt am Main Chamber of Commerce	Member of the Banking Committee	No
	Commerzbank	Chief Executive Officer	No
	Auslandbanken Holding AG		
	JSC Bank "Forum"	Member of the Supervisory Board	No
	Commerzbank Eurasija ZAO	Deputy Chairman of the Supervisory Board	No
	Commerzbank Zrt.	Member of the Supervisory Board	No
Marcus Chromik	Joint Stock Company Promsvyazbank (Moscow)	Member of the Board of Directors	No
	Commerzbank AG	Member of the Board of Managing Directors	Yes
	Valovis Bank AG	Member of the Supervisory Board	No
	Argor-Heraeus S.A.	Member of the Board of Administration	No
Janusz Fiszer	Duesseldorfer Hypothekenbank AG	Member of the Supervisory Board	No
	International Tax Society in Poland	Member of the Supervisory Board	Yes
Mirosław Godlewski	Kancelaria Gessel	Partner	Yes
	ABC Data SA	Member of the Supervisory Board	No
	Netia SA	CEO	No
	SEG	Member of the Supervisory Board	Yes
	Apteki Gemini	Executive Chairman	Yes
	Celon Pharma SA	Member of the Supervisory Board	Yes
Jörg Hessenmüller	Netia SA	Member of the Supervisory Board	Yes
	BCG	Senior Advisor	Yes
	mBank Hipoteczny*	Member of the Supervisory Board	No
	mLeasing*	Deputy Chairman of the Supervisory Board	No
	Transfinance a.s.**	Chairman of the Supervisory Board	No
	mLocum**	Chairman of the Supervisory Board	No
Jörg Hessenmüller	BDH Development*	Chairman of the Supervisory Board	No
	Hypothekenbank	Member of the	No

Name	Name of company	Position	Does the Supervisory Board member continue to serve in that capacity?
	Frankfurt AG	Supervisory Board	
	CommerzVentures GmbH	Member of Board of Directors	Yes
	Frankfurt Commerz Business Consulting GmbH, Frankfurt	Member of the Advisory Board	Yes
	openspace GmbH, Berlin	Deputy Chairman of the Supervisory Board of Administration	Yes
Thorsten Kanzler	Commerzbank Finance & Covered Bond SA, Luxembourg	Chairman of the Board of Directors	Yes
Michael Mandel	Commerzbank AG	Member of the Board of Managing Directors	Yes
	comdirect bank AG	Chairman of the Supervisory Board	Yes
	Commerz Real AG, Eschborn	Deputy Chairman of the Supervisory Board	Yes
	Commerz Real Investmentgesellschaft mbH, Wiesbaden	Deputy Chairman of the Supervisory Board	Yes
	SCHUFA Holding AG, Wiesbaden	Member of the Supervisory Board	Yes
Teresa Mokrysz	MOKATE S.A.	Deputy Chairman of the Supervisory Board	No
		Shareholder	Yes
	MOKATE Sp. z o.o.	Shareholder	Yes
		Commercial proxy	Yes
	FPUH MOKATE Sp. z o.o.	Shareholder	Yes
		Commercial proxy	Yes
	MOKATE International Hungary Sp. z o.o.	Commercial proxy	Yes
		Shareholder	Yes
	KETTNERGroup Sp. z o.o.	Shareholder	Yes
		Commercial proxy	Yes
	Global Coffee Group Sp. z o.o.	Commercial proxy	Yes
Agnieszka Słomka-Gołębiowska	Bank BPH	Member of the Supervisory Board, Member of Audit Committee and Member of Compensation Committee and Member of Investment Committee	No

* Indicates mBank Subsidiary

** Indicates former mBank Subsidiaries.

Source: the Bank

Other information on members of the Management and Supervisory Boards

In accordance with the declarations submitted by members of the Management and Supervisory Boards during the last five years, none of the members of the Management and Supervisory Boards have been in breach of their respective obligations as such members.

There are no family relations between members of the Management and Supervisory Boards.

The total remuneration paid to the members of the Management Board of the Bank (including former members of the Board) in 2017 and in 2016 was PLN 19,960,950 and PLN 17,524,486, respectively. The total remuneration paid to the members of the Supervisory Board of the Bank in 2017 and in 2016 stood at PLN 2,332,175 and PLN 1,863,765.

Except as described above, none of the members of the Management and Supervisory Boards has performed administrative, supervisory or managing roles in any other company or has conducted any activities, outside the Bank, of material significance to the Bank.

As at the date of this Base Prospectus, there are no conflicts of interest relating to responsibilities of members of the Management Board or Supervisory Board and their private interests or other obligations. As at the date of this Base Prospectus, the Bank is not aware of any potential conflicts of interest relating to responsibilities of members of the Management Board or Supervisory Board and their private interests or other obligations.

There are no agreements or arrangements between the key shareholders of the Bank, its customers, suppliers or other entities based on which any member of the Management or Supervisory Boards was appointed to the Management Board or the Supervisory Board.

TAXATION

GENERAL

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence, establishment or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

POLAND

1. General Information

The following is a discussion on certain Polish tax considerations relevant to an investor who is a resident of Poland or otherwise subject to Polish taxation. This statement must not be understood to be tax advice. It is based on the Polish tax laws and their interpretation in effect as of the date of this Base Prospectus which may be subject to changes. Such changes may also be retroactive and may negatively affect the tax treatment as described below. This description does not purport to be complete with respect to the tax information that may be relevant for investors due to their personal circumstances. Prospective buyers of the Notes are advised to consult their professional tax adviser regarding the tax consequences of the purchase, ownership, disposal, redemption or transfer without consideration of the Notes. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds). The reference to "interest" as well as to any other terms in the paragraphs below means "interest" or any other term, respectively, as understood in Polish tax law.

2. Taxation of Polish tax resident individuals (natural persons)

Under Article 3.1 of the Polish Personal Income Tax Act dated 26 July 1991, as amended (the **PIT Act**), natural persons are subject to tax on their worldwide income (revenues) regardless of the location of the source of such revenues (unlimited tax liability) if they have their place of residence in the territory of the Republic of Poland. Under Article 3.1a of the PIT Act, a person whose place of residence is in the Republic of Poland is the natural person who:

- has his/her centre of personal or economic interests (centre of life interests) within the territory of the Republic of Poland; or
- is present in the territory of the Republic of Poland for more than 183 days in a tax year (Article 3.1a of the PIT Act).

2.1 Capital gains from disposal of the Notes

Capital gains from disposal of the Notes, derived by a Polish tax resident individual from the Notes held as non-business assets, are not cumulated with general income subject to progressive tax rates and are subject to 19 per cent. flat-rate tax. Additionally, no tax is withheld by a tax remitter, but the tax should be settled by the taxpayer by 30 April of the following year.

If an individual holds the Notes as a business asset, in principle, the income should be taxed in the same way as other business income. The tax, at 19 per cent. flat rate or the 18 per cent. to 32 per cent. progressive tax rate depending on the choice and certain conditions being met by the individual, should be settled by the individual himself/herself.

2.2 Withholding tax on interest (including discount) income

According to Article 30a.7 and 30a.1.2 of the PIT Act, interest income, including discounts, derived by a Polish tax resident individual (as defined above) does not cumulate with general income subject to the progressive tax rate but is subject to 19 per cent. flat-rate tax.

Under Art. 41.4 of the PIT Act, the interest payer, other than an individual not acting within the scope of his/her business activity, should withhold the 19 per cent. Polish tax upon any interest payment. Under the Art. 41.4d of the PIT Act, tax on interest or discount on securities is withheld by entities keeping securities accounts for taxpayers, in their capacity as tax remitters, if the income (revenue) is earned in the territory of Poland and is associated with the securities registered in these accounts, and, further, if relevant payments are made to the taxpayers through those entities.

There are no regulations defining in which cases income earned (revenue) by a Polish tax resident should be considered income (revenue) earned in Poland. However, as of 1 January 2017 a new regulation addressing the source of income with respect to non-residents has been in force and it cannot be excluded that in practice the tax authorities will consider that the same situations should indicate a Polish source of income for Polish tax residents. Pursuant to Art. 3.2b of the PIT Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

1. work performed in the Republic of Poland based on a service relationship, employment relationship, outwork system and co-operative employment relationship irrespective of the place where remuneration is paid;
2. activity performed in person in the Republic of Poland irrespective of the place where remuneration is paid;
3. economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
4. immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from disposal of any rights to such property;
5. securities and derivatives other than securities, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these securities or derivatives, or the exercise of rights resulting from them;
6. the transfer of ownership of shares in a company, of all rights and obligations in a partnership without legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity or receivables being a consequence of holding those shares, rights and obligations or participation - if at least 50% of the value of assets of this company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;
7. the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding and performing the agreement.

The above list is not exhaustive; therefore, the tax authorities may also consider that income (revenues) not listed above is sourced in Poland.

Given the above, each situation should be analysed to determine whether interest earned by a Polish tax resident individual from the Notes is considered to be income sourced in Poland and whether the entity operating the securities account for the individual will withhold the tax.

It could be argued that interest from securities admitted to public trading in a country other than Poland (the Notes listed in Luxembourg) should be considered as income (revenue) not earned in Poland, applying *argumentum a contrario* to point 5, however, it is likely that the tax authorities would rather consider the interest from the Notes as sourced in Poland, under point 7, because the Issuer is a Polish company. If this were the case, it should be expected that a Polish entity operating the securities account for the individual will withhold the tax but a non-Polish entity operating the securities account for the individual will not withhold the tax. This is because although this is not clearly regulated in Polish tax law, in fact, foreign entities do not act as Polish withholding tax remitters.

According to Article 45.3b of the PIT Act, if the tax is not withheld, the individual is obliged to settle the tax himself/herself by 30 April of the following year.

Additionally, under Art. 30a.2a of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities (including Notes) registered in Polish omnibus accounts (omnibus accounts within the meaning of the provisions of the Act on Trading in Financial Instruments, hereinafter **Omnibus Accounts**) whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. The tax is withheld on the date when an interest or discount payment is released to the Omnibus Account.

Additionally, under Art. 30a.2a of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities (including the Notes) registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19 per cent. flat-rate tax is withheld by the tax remitter (under Art. 41.10 of the PIT Act the entity operating the Omnibus Account) from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder.

Under Art. 45.3c of the PIT Act, taxpayers are obliged to disclose the amount of interest (discount) on securities (including Notes) in the annual tax return if Notes were registered in an Omnibus Account and the taxpayer's identity was not revealed to the tax remitter.

If a Polish tax resident individual holds the Notes as a business asset, in principle, interest should not be subject to withholding tax but taxed in the same way as other business income. The tax, at 19 per cent. flat rate or the 18 per cent. to 32 per cent. progressive tax rate depending on the choice and certain conditions being met by the individual, should be settled by the individual himself/herself.

3. Taxation of a Polish tax resident corporate income taxpayer

Under Art. 3.1 of the Corporate Income Tax Act dated 15 February 1992 (the **CIT Act**) the entire income of taxpayers who have their registered office or management in Poland is subject to tax obligation in Poland, irrespective of where the income is earned.

The appropriate tax rate is the same as the tax rate applicable to business activity, ie 19 per cent. for a regular corporate income taxpayer or 15 per cent. for small and new taxpayers.

A Polish tax resident income tax payer should be subject to income tax on the Notes (both on any capital gain and on interest/discount) following the same principles as those which apply to any other income received from business activity within the same source of income, called as capital profits

(*zyski kapitałowe*). As a rule, for Polish income tax purposes, interest is recognised as taxable revenue on a cash basis, that is when it is received and not when it has accrued. In respect of capital gains, the cost of acquiring the Notes should be recognised at the time the revenue is achieved. The taxpayer independently (without the involvement of the tax remitter) settles tax on interest (discount) or capital gains on Notes, which is aggregated with other income derived from business operations conducted by the taxpayer and attributed to the same source of revenues.

Although no Polish withholding tax should apply on interest payable to Polish corporate income taxpayers, under specific rules applying to interest income on securities held on Omnibus Accounts, under Article 26.2a of the CIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld with respect to Polish tax resident corporate income taxpayer, with respect to refund of such tax, the entity should contact its tax advisor.

4. Notes held by a non-Polish tax resident individual or corporate

Non-Polish tax residents are:

- natural persons if they do not have their place of residence in the territory of the Republic of Poland (Art. 3.2a of the Pit Act);
- corporate income taxpayers if they do not have its registered office or place of management in Poland Art. 3.2 of the CIT Act.

These rules apply without prejudice to double taxation conventions signed by the Republic of Poland.

Non-Polish tax residents are subject to Polish income tax only on their income earned in Poland. Under Article 3.3 of the CIT Act, income (revenues) gained in the Republic of Poland by non-residents shall include in particular income (revenues) from:

1. all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
2. immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from disposal of any rights to such property;
3. securities and derivatives other than securities, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these securities or derivatives, or the exercise of rights resulting from them;
4. the transfer of ownership of shares in a company, of all rights and obligations in a partnership without legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity or receivables being a consequence of holding those shares, rights and obligations or participation, if at least 50 per cent. of the value of assets of this company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;
5. the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of

residence, registered office, or management board in the Republic of Poland, irrespectively of the place of conclusion of the agreement and place of performance.

Similar provisions were added to Article 3.2b and included in Article 3.2d of the PIT Act.

It should be noted that the list of incomes (revenues) gained in Poland, as provided in Art. 3.3. of the CIT Act and Art. 3.2b of the PIT Act is not exhaustive, therefore, other incomes (revenues) may also be considered as sourced in Poland.

It could be argued that interest from securities admitted to public trading in a country other than Poland (the Notes listed in Luxembourg) should be considered as income (revenue) not earned in Poland, applying argumentum a contrario to point 3, however, it is likely that the tax authorities would rather consider the interest from the Notes as sourced in Poland, under point 5, because the Issuer is a Polish company.

If the payment is considered as interest sourced in Poland and the payer of the interest is a tax remittent under Polish tax regulations, the withholding tax at 20 per cent. under Art. 21.1 of the CIT Act or at 19 per cent. under Art. 30a.1 of the PIT Act should apply. Although this is not clearly regulated in the Polish tax law, in fact, foreign entities do not act as Polish withholding tax remitters.

If the payment under the notes is considered as sourced in Poland, then, the relevant double tax treaty (if any) should be verified to check whether Polish taxation applies at all or whether the withholding tax rate is reduced under the given tax treaty. For example, most of the tax treaties concluded by Poland provide for Polish tax exemption on capital gains earned in Poland by a foreign tax resident. The treaties may include a withholding tax exemption or a reduction on interest (down to 15 per cent., 10 per cent., 5 per cent. or 0 per cent. depending on the relevant treaty and occasionally on the status of the recipient of the interest). In order to benefit from a tax treaty, a foreign investor should present a relevant certificate of its tax residency. Unless stated otherwise in the tax residency certificate, it is valid for twelve consecutive months from its date of issue. Moreover, many tax treaties provide protection only for beneficial owners. Pursuant to Art. 4a.29 of the CIT Act, beneficial owner shall mean the entity receiving a given receivable for its own benefit, not being an intermediary, representative, trustee, or another entity obliged to transfer the receivable in whole or in part to another entity.

Separate, specific rules apply to interest income on securities held on Omnibus Accounts. Also in the cases where Polish withholding tax should not apply on interest payable to non-Polish tax residents (natural persons or corporate income taxpayers), under specific rules applying to interest income on securities held on Omnibus Accounts there is a risk that such tax would be withheld. Under Article 26.2a of the CIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. Under Article 30a.2a of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld with respect to non-Polish tax resident taxpayer, with respect to refund of such tax, the entity should contact its tax advisor.

If a foreign recipient of income acts through a permanent establishment in Poland, to which the interest is related, as a matter of principle it should be treated in the same manner as a Polish tax resident.

5. PCC – Civil Law Activities Tax

Neither an issuance of Notes nor redemption of Notes is subject to tax on civil law transactions (PCC).

Under Art. 1.1.1.a of the Tax on Civil Law Transactions Act dated 9 September 2000 (the **PCC Act**), agreements for the sale or exchange of assets or proprietary rights are subject to tax on civil law transactions. The Notes should be considered as representing proprietary rights. Transactions are taxable if their subjects are:

- assets located in Poland or proprietary rights exercisable in Poland;
- assets located abroad or proprietary rights exercisable abroad if the acquirer's place of residence or registered office is located in Poland and the civil law transaction was carried out in Poland.

Although this is not clearly addressed in the law, in principle the Notes should be considered as rights exercisable in Poland.

PCC on the sale of the Notes (which, as a rule, are considered to be rights) is 1 per cent. of their market value and is payable by the purchaser within 14 days after the sale agreement is entered into. If the exchange agreement is concluded, the tax is payable jointly and severally by both parties to the agreement. However, if such agreement has been entered into in notarial form, the tax due should be withheld and paid by the notary public.

However, under Art. 9.9 of the PCC Act, a PCC exemption applies to the sale of property rights being financial instruments (including the Notes):

- (i) to investment firms or foreign investment firms,
- (ii) with the intermediation of investment firms or foreign investment firms,
- (iii) through organised trading, or
- (iv) outside organised trading by investment firms or foreign investment firms if the proprietary rights were acquired by those firms through organised trading,

within the meaning of the provisions of the Act of 29 July 2005 on Trading in Financial Instruments.

6. Remitter's liability

Under Art. 30.1 of the Tax Ordinance dated 29 August 1997, as amended, a remitter which has not carried out its obligation to calculate and withhold due tax from a taxpayer, and to transfer the appropriate amount of tax to a relevant tax office, is liable for tax not withheld or tax withheld but not transferred to a relevant tax office. The remitter is liable for those obligations with all of its assets. The provisions on the remitter's liability do not apply only if separate provisions provide otherwise or if the tax has not been withheld due to the taxpayer's fault.

LUXEMBOURG

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective

investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(a) Non-resident holders of Notes

Under Luxembourg general tax laws currently, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(b) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

AUSTRIA

1. General Information

The following is a brief summary of certain Austrian tax aspects in connection with the Notes. It does not claim to fully describe all Austrian tax consequences of the acquisition, ownership, disposition or redemption of the Notes. In some cases a different tax regime may apply. Further, this summary does not take into account the tax laws of any country other than Austria nor does it take into account the investors' individual circumstances or any special tax treatment applicable to the investor and it only addresses tax law aspects relevant for private investors, unless explicitly stated otherwise.

It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors are advised to consult their own professional advisers to obtain further information about the tax consequences of the acquisition, ownership, disposition or redemption of the Notes. Only personal advisers are in a position to adequately take into account special tax aspects of the particular Notes in question as well as the investor's personal circumstances and any special tax treatment applicable to the investor.

This summary is based on Austrian law as in force when drawing up this Base Prospectus. The following summary describes the tax laws to be applied to the Notes acquired against consideration.

Prospective investors are explicitly advised to consult their own professional advisers to obtain further information about the tax consequences of the acquisition, ownership, disposition, exchange, exercise, settlement or redemption of the Notes.

In this analysis, Austrian legal concepts are expressed in English terms and not in the original German terms. The Austrian legal concepts concerned may not be identical to the concepts expressed in English terms. Therefore, this analysis may only be relied upon under the express condition that any issues of interpretation will be governed and construed solely in accordance with Austrian law as interpreted by the Austrian courts.

The laws and their interpretation by the tax authorities may change and such changes may also have retroactive effect. It cannot be ruled out that Austrian tax authorities adopt a view different from that outlined below.

Tax considerations relevant to prospective holders of Notes which are subject to a special tax regime such as for example governmental authorities, charities, private foundations (*Privatstiftungen*) or investment or pension funds are not addressed herein.

This summary does not describe the tax consequences for a holder of Notes that are redeemable in exchange for, or convertible into, shares or other securities or rights or which in any other way provide for physical settlement, of the exchange, exercise, physical settlement or redemption of such Notes and/or any tax consequences after the moment of exchange, exercise, physical settlement or redemption. For the purposes of the following it is assumed that the Notes are offered to the public (undefined circle of addressees) from a legal and factual perspective.

2. Austrian resident taxpayers

Income derived by individuals or corporations resident in Austria is taxable pursuant to the Austrian Income Tax Act (*Einkommensteuergesetz*) or the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*). Individuals having a domicile or their habitual abode in Austria or corporations having their corporate seat or their place of management in Austria are considered residents for Austrian income and corporate income tax law purposes, respectively.

3. Individuals

Not only interest amounts (*Zinserträge*) but also realised capital gain (*Einkünfte aus realisierten Wertsteigerungen*) will, irrespective of the period of time the Notes have been held for, qualify as investment income (*Einkünfte aus Kapitalvermögen*) and be subject to income tax at a special rate of 27.5 per cent. Realised capital gains are the difference between (a) the amount realised (e.g., the sale proceeds, the redemption or other pay-off amount, or the fair market value in case of a deemed realisation) and (b) the acquisition costs, in each case (amount realised and acquisition costs) including accrued interest, if any. There will be no more withholding tax credits upon the purchase of Notes.

Expenses and costs (*Aufwendungen und Ausgaben*) which are directly connected with income subject to the special tax rate of 27.5 per cent. are not deductible. For Notes held as private assets, the acquisition costs shall not include ancillary acquisition costs (*Anschaffungsnebenkosten*). For the calculation of the acquisition costs of Notes held within the same Notes account and having the same Notes identification number but which are acquired at different points in time, the floating average price (*gleitender Durchschnittspreis*) shall apply.

If an Austrian custodian (*inländische depotführende Stelle*) or an Austrian paying agent (*inländische auszahlende Stelle*) is involved and settles the realisation of the realised capital gain, the income tax will be deducted by applying a 27.5 per cent. withholding tax. The same (withholding tax of 27.5 per

cent.) applies to interests if an Austrian paying agent is involved. The 27.5 per cent. withholding tax deduction will result in a final income taxation (*Endbesteuerungswirkung*) for private investors (holding the Notes as private assets) provided that the investor has evidenced the factual acquisition costs of the Notes to the custodian. Certain exceptions may apply (in particular for investors whose regular personal income tax rate is lower than 27.5 per cent. - see details below). Regarding Notes held as a business asset, the withholding tax on capital gains is not a final taxation.

To the extent that no withholding tax deduction will be effected due to the lack of an Austrian paying agent and of an Austrian custodian, the investment income derived from the Notes will have to be included in an income tax return in line with the provisions of the Austrian Income Tax Act. Such investment income will be also subject to income tax at a special rate of 27.5 per cent. Expenses and costs (*Aufwendungen und Ausgaben*) which are directly connected with such investment income are also not deductible.

Withdrawals (*Entnahmen*) and other transfers of Notes from the securities account will be treated as disposals (sales) unless specific exemptions are fulfilled such as the transfer of the Notes to a securities account owned by the same taxpayer (i) with the same Austrian bank, (ii) with another Austrian bank if the account holder has instructed the transferring bank to disclose the acquisition costs to the receiving bank or (iii) with a non-Austrian bank, if the account holder has instructed the transferring bank to transmit the pertaining information to the competent tax office or has himself notified the competent Austrian tax office within a month; or like a transfer without consideration to a securities account held by another taxpayer, if the fact that the transfer has been made without consideration has been evidenced to the securities account keeping agent or the agent has been instructed to inform the Austrian tax office thereof or if the taxpayer has himself notified the competent Austrian tax office within a month, unless a loss or restriction of the taxing right of the Republic of Austria for the Notes is given. Special rules apply if a taxpayer transfers his residence outside of Austria or the taxing right of the Republic of Austria for the Notes is otherwise restricted. Upon application of the taxpayer, the exit taxation of the Notes held as private assets can be deferred until the actual disposal of the Notes in case the investor transfers his or her tax residence outside of Austria to an EU Member State or certain Member States of the EEA or transfers the Notes for no consideration to another individual resident in an EU Member State or certain Member States of the EEA. In all other cases of a deemed disposal the taxpayer may apply for a payment of the triggered income tax in instalments over a period of seven years.

Taxpayers, whose regular personal income tax is lower than 27.5 per cent. may opt for taxation of the income derived from the Notes at such regular personal income tax rate. Such application for opting into taxation at the regular personal income tax rate must, however, include all investment income subject to such special tax rate. The tax withheld will then be credited against the income tax. Expenses in connection with income subject to final taxation or to the special 25 and/or 27.5 per cent. income tax rate and incurred by the investor are also not deductible for persons having opted for taxation at the regular personal income tax rate.

Losses from Notes held as private assets may only be set-off against certain other investment income subject to such special tax rate (27.5 per cent.) (excluding, inter alia, interest income from bank deposits and other claims against banks) and must not be set off against any other income.

The loss off-setting is conducted on an on-going basis by the custodian with respect to all income and losses that are realised in all custodian accounts managed by such custodian, with some exceptions, e.g. in case of business accounts.

For income derived from Notes which have not been offered to the public (undefined circle of addressees) from a legal and factual perspective or which were privately placed no final taxation applies, i.e. the general progressive income tax rate, which amounts up to 50 per cent., and 55 per cent. for income exceeding EUR 1 million (instead of the special rate of 27.5 per cent.), will apply,

levied in the individual investor's tax assessment. An Austrian withholding tax, if withheld, would be credited against the individual investor's income tax.

Generally, the same rules apply regarding Notes that are held as business assets by tax residents who are individuals. The most important differences are the following:

Income derived from the Notes which are held as business assets will also be subject to the special tax rate of 27.5 per cent. deducted by way of a withholding tax. However, for realised capital gains, contrary to interest income, no final taxation applies, i.e. they have to be included in the investor's tax return, where they are taxed at the special tax rate of 27.5 per cent. The special rate of 27.5 per cent. for investment income does not apply if the main focus of the investor's business activity is the achieving of realised capital gains. The tax withheld will be credited against the income tax.

For Notes held as business assets, the acquisition costs shall also include ancillary acquisition costs (*Anschaffungsnebenkosten*).

Write-downs to the going-concern value and losses derived from the sale, redemption or other pay-off of Notes held as business assets must primarily be set off against positive income from realised capital gains and write-ups of financial instruments of the same business and only 55 per cent of the remaining loss may be set off or carried forward against any other income.

Due to special loss-offsetting rules for Notes held as business assets, the loss-offsetting in relation to Notes held with the Austrian custodian on securities accounts qualified as business accounts can only be made in the investor's tax assessment.

4. Corporations

Corporate investors deriving business income from the Notes may avoid the application of Austrian withholding tax by filing a declaration of exemption (*Befreiungserklärung*) with the Austrian entity obliged to deduct the Austrian withholding tax to be forwarded to the tax office. Income including any capital gain derived from the Notes by corporate investors is subject to Austrian corporate income tax at the general rate of 25 per cent. If no declaration of exemption was filed, the withholding tax levied by an Austrian custodian or paying agent on the investment income can be credited to the corporate income tax in the corporate investor's tax assessment. Withholding tax amounts to 25 per cent., if the corporation proves its identity as a corporation to the paying agent.

There is, inter alia, a special tax regime for Private Foundations established under Austrian law (*Privatstiftungen*).

5. Certain aspects of the tax treatment of certain Notes

Any income and capital gain from the sale or redemption of Notes acquired against consideration will be subject to income tax of 27.5 per cent. and the tax will be deducted by way of a withholding tax if an Austrian paying agent or custodian is involved.

Zero Coupon Notes will, as other notes, fall within the taxation regime for investment income: the difference between the sales price or the redemption amount, as the case may be, and the acquisition costs, including accrued interest if any, will be subject to the 27.5 per cent., withholding tax if paid out by an Austrian custodian or paying agent.

If held as business assets, interest paid upon redemption of the Zero Coupon Notes is not subject to final taxation, but taxed like capital gains (for the taxation of capital gains of the Notes held as business assets see the description above).

6. Non-residents

As long as the Issuer has neither its registered seat (*Sitz*) nor place of management (*Ort der Geschäftsleitung*) in Austria nor is otherwise deemed to be resident in Austria for Austrian tax law purposes nor has a branch office (*Zweigstelle*) in Austria, income, including any capital gains derived, from the Notes by individuals who do not have a domicile or their habitual abode in Austria (non-residents) is not taxable in Austria unless the income is attributable to a permanent establishment or other Austrian source income taxable in Austria.

Income, including any capital gain derived from the Notes by corporate investors who do not have their corporate seat or their place of management in Austria (non-residents), is not taxable in Austria provided that the income is not attributable to a permanent establishment or other Austrian source income taxable in Austria.

7. Repeal of the EU Savings Tax Directive and automatic change of information

On 10 November 2015, the Council of the European Union adopted Council Directive (EU) 2015/2060 by which Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Tax Directive**) has been repealed with effect as of 1 January 2016. The repeal was adopted as a consequence of the adoption by the Council in December 2014 of Directive 2014/107/EU amending provisions on the mandatory automatic exchange of information between tax administrations.

In respect of Austria, however, special transitional periods applied and the EU Savings Tax Directive continued to apply with regard to Austria until 31 December 2016. Legislation implementing the repeal of the EU Savings Tax Directive and of the EU Withholding Tax Act (EU - *Quellensteuergesetz*), by which the EU Savings Tax Directive has been implemented in Austria, with effect as of 1 January has been adopted in Austria on 14 July 2016 by the EU Federal Tax Amendment Act 2016 (EU-*Abgabenänderungsgesetz* 2016, Federal Law Gazette I 2016/77).

The Austrian Common Reporting Standard Act (*Gemeinsamer Meldestandard Gesetz*) has implemented the automatic exchange of information (Common Reporting Standard – CRS), meeting the international obligations and obligations under EU law of Austria. The Austrian Common Reporting Standard Act regulates the exchange of tax-relevant account data, to which Austrian financial institutions are obliged versus the competent tax authorities of other CRS countries regarding individuals and entities domiciled in a CRS country. CRS countries are those participating in the automatic exchange of information (including EU member states, Switzerland, Liechtenstein and many more). The Austrian Common Reporting Standard Act applies to both individuals and entities. The notifications have to be made not later than by the end of June for the previous calendar year.

8. Other taxes

No Austrian inheritance and gift tax (*Erbschafts- und Schenkungssteuer*) is in effect. However, according to the Gift Notification Act 2008 (*Schenkungsmitteilungsgesetz 2008*) gifts have to be notified to the tax authorities within a three-month notification period. There are certain exemptions from such notification obligation, e.g. for gifts among relatives that do not exceed an aggregate amount (of gifts between the same persons) of €50,000 per year or gifts among unrelated persons that do not exceed an aggregate amount (of gifts between the same persons) of €15,000 within five years. Intentional violation of the notification obligation may trigger fines of up to 10 per cent. of the fair market value of the assets transferred.

The sale and purchase of bearer securities is in general not subject to Austrian stamp duty provided that no other transaction potentially taxable under the Austrian Stamp Duty Act (*Gebührengesetz*)

such as an assignment of rights (*Zession*) is entered into for which a document (*Urkunde*) within the meaning of the Stamp Duty Act is executed.

GERMANY

1. Income tax

(a) Notes held by tax residents as private assets

Taxation of interest

Payments of interest on the Notes to Holders who are tax residents of Germany (i.e., persons whose residence or habitual abode is located in Germany) are subject to German income tax. In each case where German income tax arises, a solidarity surcharge (*Solidaritätszuschlag*) is levied in addition. Furthermore, church tax may be levied, where applicable. If coupons or interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are subject to income tax. The same applies to proceeds from the redemption of coupons or interest claims if the Note is disposed of separately.

On payments of interest on the Notes to individual tax residents of Germany income tax is generally levied as a flat income tax at a rate of 25 per cent. (plus solidarity surcharge in an amount of 5.5 per cent. of such tax, resulting in a total tax charge of 26.375 per cent., plus, if applicable, church tax). The total investment income of an individual will be decreased by a lump sum deduction (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly), not by a deduction of expenses actually incurred.

If the Notes are held in a custodial account which the Holder maintains with a German branch of a German or non-German bank or financial services institution or with a securities trading business or bank in Germany (the **Disbursing Agent**) the flat income tax will be levied by way of withholding at the aforementioned rate from the gross interest payment to be made by the Disbursing Agent.

In general, no withholding tax will be levied if the Holder is an individual (i) whose Note does not form part of the property of a trade or business and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Holder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

If no Disbursing Agent (as defined above) is involved in the payment process the Holder will have to include its income on the Notes in its tax return and the flat income tax of 25 per cent. plus solidarity surcharge and, if applicable, church tax will be collected by way of assessment.

Payment of the flat income tax will generally satisfy any income tax liability (including solidarity surcharge and, if applicable, church tax) of the Holder in respect of such investment income. Holders may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25 per cent.

Taxation of capital gains

From 1 January 2009, also capital gains realised by individual tax residents of Germany from the disposition or redemption of the Notes acquired after 31 December 2008 will be subject to the flat income tax on investment income at a rate of 25 per cent. (plus solidarity surcharge in an amount of 5.5 per cent. of such tax, resulting in a total tax charge of 26.375 per cent., plus, if applicable, church

tax), irrespective of any holding period. This will also apply to Notes on which the principal is effectively repaid in whole or in part although the repayment was not guaranteed.

If the Notes are held in a custodial account which the Holder maintains with a Disbursing Agent (as defined above) the flat income tax will be levied by way of withholding from the difference between the redemption amount (or the proceeds from the disposition) and the issue price (or the purchase price) of the Notes. If the Notes have been transferred into the custodial account of the Disbursing Agent only after their acquisition, and no evidence on the acquisition data has been provided to the new Disbursing Agent by the Disbursing Agent which previously kept the Notes in its custodial account, withholding tax will be levied on 30 per cent. of the proceeds from the disposition or redemption of the Notes.

If no Disbursing Agent is involved in the payment process the Holder will have to include capital gains from the disposition or redemption of the Notes in its tax return and the flat income tax of 25 per cent. plus solidarity surcharge and, if applicable, church tax will be collected by way of assessment.

Payment of the flat income tax will generally satisfy any income tax liability (including solidarity surcharge and, if applicable, church tax) of the Holder in respect of such investment income. Holders may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25 per cent.

(b) Notes held by tax residents as business assets

Payments of interest on Notes and capital gains from the disposition or redemption of Notes held as business assets by German tax resident individuals or corporations (including via a tax transparent partnership, as the case may be), are generally subject to German income tax or corporate income tax (in each case plus solidarity surcharge and, if applicable, church tax). The interest and capital gain will also be subject to trade tax if the Notes form part of the property of a German trade or business.

If the Notes are held in a custodial account which the Holder maintains with a Disbursing Agent (as defined above) tax at a rate of 25 per cent. (plus a solidarity surcharge of 5.5 per cent. of such tax and, if applicable, church tax) will also be withheld from interest payments on Notes and (since 1 January 2009) generally also from capital gains from the disposition or redemption of Notes held as business assets. In these cases the withholding tax does not satisfy the income tax liability of the Holder, as in the case of the flat income tax, but will be credited as advance payment against the personal income or corporate income tax liability and the solidarity surcharge (and, if applicable, against the church tax) of the Holder.

With regard to capital gains no withholding will generally be required in the case of Notes held by corporations resident in Germany, provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office, and upon application in the case of Notes held by individuals or partnerships as business assets.

(c) Notes held by non-residents

Interest and capital gains are not subject to German taxation in the case of non-residents, i.e. persons having neither their residence nor their habitual abode nor legal domicile nor place of effective management in Germany, unless the Notes form part of the business property of a permanent establishment maintained in Germany. Interest may, however, also be subject to German income tax if it otherwise constitutes income taxable in Germany, such as income from the letting and leasing of certain German situs property or income from certain capital investments directly or indirectly secured by German situs real estate.

Non-residents of Germany are in general exempt from German withholding tax on interest and capital gains and from solidarity surcharge thereon. However, if the interest or capital gain is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent (as defined above), withholding tax will be levied as explained above at "*Notes held by tax residents as business assets*" or at "*Notes held by tax residents as private assets*", respectively.

2. Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Note will generally arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

3. Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

THE NETHERLANDS

1. General

The following is a general summary of certain Dutch tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Holders or prospective holders of Notes should consult with their tax advisers with regard to the tax consequences of investing in the Notes in their particular circumstances. The discussion below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses Dutch national tax legislation and published regulations, whereby Dutch refers to the part of the Kingdom of the Netherlands located in Europe, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

2. Withholding tax

All payments of principal and/or interest made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

3. Taxes on income and capital gains

Please note that the summary in this section does not describe the Dutch tax consequences for:

- (a) holders of Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a

substantial interest or deemed substantial interest in the Issuer under the Dutch income tax act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in the Dutch income tax act 2001), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued and outstanding capital of that company or of 5 per cent. or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5 per cent. or more of the company's annual profits and/or to 5 per cent. or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;

- (b) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Dutch corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*)) and other entities that are, in whole or in part, not subject to or exempt from Dutch corporate income tax; and
- (c) holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holder (as defined in the Dutch income tax act 2001).

4. Corporate Dutch resident taxpayers

Generally speaking, if the holder of a Note is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes, or any gain or loss realized on the disposal or deemed disposal of the Notes, is subject to Dutch corporate income tax at a rate of 20 per cent. with respect to taxable profits up to €200,000 and 25 per cent with respect to taxable profits in excess of that amount (rates and brackets for 2018).

5. Individual Dutch resident taxpayers

If a holder of a Note is an individual, resident or deemed to be resident of the Netherlands for Dutch income tax purposes, any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 51.95 per cent. in 2018), if:

- (a) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth (*medegerechtigd to het vermogen*) of such enterprise, without being a shareholder (as defined in the Dutch income tax act 2001); or
- (b) the holder of a Note is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above mentioned conditions (i) and (ii) do not apply to the individual holder of Notes, such holder will be taxed annually on a deemed, variable return (with a maximum of 5.38 per cent. in 2018) of his/her net investment assets (*rendementsgrondslag*) for the year at an income tax rate of 30 per cent.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. A tax free allowance may be available. Actual income, gains or losses in respect of the Notes are as such not subject to Netherlands income tax.

For the net investment assets on 1 January 2018, the deemed return ranges from 2.02% up to 5.38% (depending on the aggregate amount of the net investment assets on 1 January 2018). The deemed, variable return will be adjusted annually on the basis of historic market yields.

UNITED KINGDOM

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implication of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Payment of Interest on the Notes

Payments of interest on the Notes that does not have a United Kingdom source may be made without deduction or withholding on account of United Kingdom income tax.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Poland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commissions Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal,

Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commissions Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commissions Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated on or about 17 May 2018, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors – Selling Restriction" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors – Selling Restriction" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe

the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and

- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has severally represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify either (i) which of the below two options apply, or (ii) whether the Italian selling restriction is deemed not applicable.

(a) No sales into Italy

No Notes may be offered, sold or delivered, nor may copies of the Base Prospectus, the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) or of any other document relating to the Notes be distributed in the Republic of Italy.

(b) Sales into Italy subject to certain requirements

Upon prior compliance of the relevant licensing the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

General

Each Dealer has severally represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The update of the Programme has been duly authorised by a resolution of the Management Board of the Issuer dated 11 April 2018.

Listing of Notes and Admission to Trading

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU). The listing of the Programme in respect of Notes is expected to be granted on 17 May 2018.

Notes may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection (or from the date of subsequent publication (as the case may be)) from the specified office of the Paying Agent for the time being at 2, Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the audited consolidated financial statements of the Group in respect of the financial years ended 31 December 2016 and 31 December 2017 (with an English translation thereof). The Issuer currently prepares audited consolidated and standalone financial statements on an annual basis as well as unaudited condensed consolidated and condensed standalone financial statements on a semi-annual basis and unaudited condensed financial statements on a quarterly basis;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited semi-annual financial statements (if any) of the Issuer (in each case, with an English translation thereof), together with any audit or review reports prepared in connection therewith;
- (d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus;
- (f) any future Base Prospectuses, prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

- (g) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Adverse Change

There has been no significant change in the financial or trading position of the Issuer and the Group taken as a whole since 31 March 2018 and there has been no material adverse change in the prospects of the Issuer and the Group taken as a whole since 31 December 2017.

Litigation

Save as disclosed in the Base Prospectus at pages 178 to 182, neither the Issuer nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or any member of the Group.

Auditors

PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw (00-638 Warszawa, ul. Lecha Kaczynskiego 14), audited the consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016 and issued unqualified auditor's opinions on the aforementioned financial statements. PricewaterhouseCoopers Sp. z o.o. audited the standalone financial statements of the Bank for the years ended 31 December 2017 and 31 December 2016 and, issued unqualified opinions on the aforementioned financial statements. The standalone financial statements of the Bank audited by PricewaterhouseCoopers Sp. z o.o. are not incorporated into this Base Prospectus by reference.

PricewaterhouseCoopers Sp. z o.o. is registered in the register of auditors held by the National Chamber of Statutory Auditors under No. 144. On behalf of PricewaterhouseCoopers Sp. z o.o., the consolidated

financial statements of the Group for the years ended 31 December 2017 and 31 December 2016 were audited by Agnieszka Accordi (certified auditor, licence No. 11665).

On 12 April 2018, the Bank appointed Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa to act as the Issuer's external auditor for the years ended 31 December 2018 and 31 December 2019.

Dealers Transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer, and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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In relation to the 2017 and 2016 Financial Statements

PricewaterhouseCoopers Sp. z o.o.

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