

## Amendments to the Regulations on Providing credit risk bearing products

Dear Customers,

The amended Regulations on Providing credit risk bearing products will come into force on 1 April 2021.

The most important changes:

- We have changed the definition of "Base Rate" by adding "Benchmark" to it; Benchmark means an index or benchmark specified in the Agreement on the basis of which interest or other remuneration of the Bank is determined;
- We have introduced principles (laid down in an appendix to the Regulations) which we will apply when the Benchmark used to calculate interest on a loan (e.g. WIBOR, LIBOR) is not published, is discontinued, cannot be applied, or changes;

These changes result from Regulation (EU) 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (BMR);

- We have adjusted the catalogue of Events of Default to the currently applicable laws and added a new Event of Default, namely the occurrence of any overdue or due and payable liabilities of the Customer or Debtor towards other banks and financial institutions;
- We have provided for the possibility of the Bank refusing to issue a guarantee without giving the reason for such decision;
- We have clarified other provisions, a list of which along with the Regulations valid as of 1 April 2021 is available on <https://www.mbank.pl/pomoc/dokumenty/msp-korporacje/finansowanie/>

In addition, we have made editorial changes and simplified the language of the Regulations.

The detailed list of changes (with amended provisions marked in blue and in italics) is presented below.

List of amendments to the Regulations on providing credit risk bearing products.

### The amendments enter into force on 1 April 2021.

#### Chapter I. "Definitions of basic terms used in the Regulations"

The following definitions have been changed:

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<b>Base Rate (benchmark)</b>	the index or benchmark specified in the Agreement on the basis of which interest or other remuneration of the Bank is determined. The procedure to be followed in the event of change, withdrawal or discontinuation of the publication of the Benchmark is specified in Appendix No. 1 to the Regulations
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#### Chapter V. "Loans"

Item 10 reads as follows:

10. At the end of a Business Day on which the amount of the granted overdraft facility was exceeded, the Bank charges statutory interest specified in the Civil Code on the excess amount in the current accounts participating in the Loan utilisation on that day. The accounts are debited with such interest on the interest payment dates proportionally to the share of each such current account in the Loan utilisation.

#### Chapter VI. "Trade finance and service"

Item 3 of letter A "Guarantees" reads as follows:

3. The Guarantee is issued at the request of the Applicant expressed by filing an Order with the Bank, together with the documents specifying the obligation the discharge of which is to be secured by the Guarantee. The Bank reserves the right to refuse to issue a Guarantee without giving any reason.

Item 12 of letter C "TRADE RECEIVABLES DISCOUNTING" has been repealed in full.

#### Chapter VIII. "Fees and commissions"

Item 6 reads as follows:

6. The Bank notifies the Borrower of the amount of the collected interest, commissions and fees in an Account statement. If the Bank does not maintain the Customer's Account, it notifies the Customer in writing of the amount of interest, commissions and fees required.

#### Chapter XIII. "Events of default and their consequences"

In item 1

sub-items 5 has been repealed in full,

sub-item 5a reads as follows:

5a/ [filing for liquidation](#) or opening of liquidation

sub-item 7 reads as follows:

7/ initiation of any enforcement or [claim conservation](#) proceedings against the property of the Customer or Debtor,

sub-item 11 have been added:

11/ occurrence of any overdue or due and payable liabilities of the Customer or the Debtor towards other banks and financial institutions.

#### CHAPTER XIV. "Final provisions"

Items 9-10 have been added:

9. The Customer must log into the mCN System at least once a week to review any declarations of will and knowledge, electronic invoices and notices submitted by the Bank. The date of delivery of the correspondence via the mCN System is the day falling 7 days after the date of entering the correspondence into the system
10. Procedure if the Benchmark to which the Agreement pertains:
  - 1/ is not published,
  - 2/ is no longer published,
  - 3/ cannot be used,
  - 4/ changes.is regulated in Appendix 1 to these Regulations, which forms an integral part of these Regulations. Appendix 1 applies to all Products, including Products granted before its introduction.

#### New Appendix to these Regulations

Appendix No. 1 to Regulations on providing credit risk bearing products

#### The Rules of Conduct in the Case of Change, Withdrawal or Discontinuation of a Benchmark.

#### Article 1. Definitions

The terms used in this Appendix have the following meanings:

<b>1. Administrator</b>	an entity which supervises the development of the Benchmark.
<b>2. Benchmark Change Day</b>	the later of the following days: <b>for Discontinuation Announcement</b> 1/ first day after 15 Business Days from the Discontinuation Announcement, or 2/ first day on which the Benchmark was not published due to the Discontinuation Announcement. or <b>for No Permit Announcement</b> 1/ first day after 15 Business Days from the No Permit Announcement, or 2/ first day on which we cannot lawfully use a given benchmark in any agreement due to the No Permit Announcement.
<b>3. Central Counterparty</b>	a licenced central counterparty that provides settlement services for transactions which use the Benchmark and hedge against the risk of its changes. Central counterparties include: a) LCH Ltd, b) KDPW_CCP S.A., or c) other central counterparties.
<b>4. Adjustment</b>	a value or an action applied to limit the economic effects of replacing the Benchmark with an Alternative Benchmark.
<b>5. Quotation</b>	the price at which a transaction in an underlying instrument can be concluded. An underlying instrument is an instrument whose market value is measured by the Benchmark. Such an underlying instrument may be e.g. a deposit or financial instrument. We obtain quotations: a) in a time period close to that in which the Determining Entity normally publishes a given Benchmark; b) for a transaction with a value similar to the value of the Agreement, however not lower than the standard value for a given underlying instrument.
<b>6. Determining Entity:</b>	a) an authority supervising the Administrator, b) central bank responsible for the currency of the Benchmark, c) The Administrator, or d) an industry organisation which prepares suggestions for Benchmark replacement, indicated by a supervisory authority or central bank responsible for the currency of the Benchmark.
<b>7. Publication</b>	publication of information on the value of the Benchmark.
<b>8. Benchmark</b>	an index or a benchmark used to determine the liabilities of the parties.
<b>9. Alternative Benchmark</b>	an index or a benchmark which replaces the Benchmark in situations described in the Appendix.
<b>10. Event</b>	failure to publish the Benchmark or a Regulatory Event.

<b>11. Central Counterparty's Event</b>	a situation where the Central Counterparty replaces the Benchmark it used so far in the settled transactions with the Alternative Benchmark.
<b>12. Regulatory Event:</b>	<ol style="list-style-type: none"> <li>1/ Discontinuation Announcement – a situation where the Determining Entity: <ol style="list-style-type: none"> <li>a. issues an official statement that it permanently ceases (or will cease) to publish the Benchmark,</li> <li>b. did not appoint any other entity which would continue to calculate or publish the Benchmark by the time the statement was published;</li> </ol> </li> <li>2/ No Permit Announcement – a situation where a reliable source announces that: <ol style="list-style-type: none"> <li>a. The Benchmark will not be registered or a decision on the equivalence of the Benchmark will not be issued, or</li> <li>b. The Determining Entity has not received a permit/registration to develop a given Benchmark, will not receive it, or its permit/registration has been revoked or suspended.</li> </ol> </li> </ol>
<b>13. applying the Benchmark on a given day</b>	means that we use the Benchmark published on this day to determine the value of the parties' liabilities.
<b>14. applying the Alternative Benchmark from a given day</b>	means that we use the Alternative Benchmark (after Adjustment) from this day, on the days on which the Benchmark was supposed to be used under the Agreement.
<b>15. Agreement</b>	the agreement between the parties to which this Appendix refers;
<b>16. Appendix</b>	this appendix.

**Verbs used herein in plural form, such as “we determine”, “we select” or “we change” mean actions performed by the Bank.**

## Article 2. Alternative Benchmark

1. We apply the Alternative Benchmark instead of the Benchmark in the case of:
  - a) Regulatory Event – from the Benchmark Change Day, or
  - b) failure to publish the Benchmark unrelated to a Regulatory Event – from the day on which the Benchmark was not published until the day of its republication.
2. If, from the day on which a Regulatory Event occurred until the Benchmark Change Day:
  - a) the Benchmark was not published, or
  - b) we cannot lawfully apply the Benchmark,
then:
  - c) we determine and apply the Alternative Benchmark without waiting until the Benchmark Change Day,
  - d) we determine and apply the Alternative Benchmark again from the Benchmark Change Day.

<b>As the Alternative Benchmark we may use:</b>
1. The Alternative Benchmark used by the Central Counterparty instead of the Benchmark,
2. the Alternative Benchmark recommended by the Determining Entity instead of the Benchmark,
3. the Alternative Benchmark selected by us – the Alternative Benchmark applied by us instead of the Benchmark in derivative transactions on the interbank market;
4. arithmetic mean of the Quotations received – only when we received at least two Quotations,
5. a reference rate applied by the central bank responsible for the currency of the Benchmark – only if we could not apply the previous methods.

3. We select one of the methods listed in the table in an economically justified manner. We take the following into account:
  - a) practice on the interbank market, and
  - b) solutions we used on the interbank market.
4. If we cannot freely select the method, we apply the methods according to the order in the table. If a given method does not yield any results until the Benchmark Change Day, we use the subsequent one. If several Determining Entities or several Central Counterparties recommend an Alternative Benchmark, we apply the Alternative Benchmark recommended by the first entity listed in the definition.
5. If the Alternative Benchmark after adjustment is available at the end of the period for which interest is calculated (so that the Alternative Benchmark after adjustment is available later than the one it replaced), actions requiring the determination of the amount of the Alternative Benchmark after adjustment are performed by us at a later date (e.g. we communicate the amount of interest due at a later date).

## Article 3. Adjustment

1. After determining the Alternative Benchmark, we determine the Adjustment.
2. The Adjustment changes the value of the Alternative Benchmark. The Adjustment may be:
  - a) negative, positive, or zero,
  - b) defined with a formula or a calculation method.
The Adjustment may be a one-time payment.
3. Once we determine the Adjustment, we apply it throughout the entire period of application of the Alternative Benchmark.

<b>The Rules of Conduct in the case of applying the Alternative Benchmark applied or recommended by another entity</b>	
<b>Case</b>	<b>Procedure</b>
a) entity recommended the Adjustment	we apply such Adjustment
b) entity did not recommend any Adjustment	we do not apply the Adjustment

c) entity did not refer to the issue of the Adjustment	we apply the Adjustment determined by us in an economically justified manner, with the purpose of the Adjustment in mind
d) we apply the mean of Quotations as the Alternative Benchmark	we do not apply the Adjustment
<b>The Rules of Conduct in the case of applying a central bank's reference rate as the Alternative Benchmark</b>	
<ol style="list-style-type: none"> <li>1. We add the Adjustment to the value of the Alternative Benchmark.</li> <li>2. The Adjustment is equal to the historical median of the differences between the Benchmark and the reference rate: <ol style="list-style-type: none"> <li>a) for the period of 24 months (or shorter, if the Benchmark or the reference rate was published for a shorter time) before: <ol style="list-style-type: none"> <li>i. the Benchmark Change Day, or</li> <li>ii. the first day on which we apply the Alternative Benchmark due to failure to publish the Benchmark (when there is no Benchmark Change Day);</li> </ol> </li> <li>b) for differences from each day in the reviewed period, in which both the Benchmark and the reference rate were published.</li> </ol> </li> </ol>	

#### Article 4. Central Counterparty's Event

1. When a Central Counterparty's Event not resulting from a Regulatory Event occurs, from the day of its occurrence instead of applying the Benchmark we can use:
  - a) the Alternative Benchmark instead of the Benchmark,
  - b) the Adjustment applied by the Central Counterparty.
2. If we cannot freely decide whether to apply Article 4 (1) in the case of a Central Counterparty's Event, we apply Article 4 (1) always when it occurs with regard to LCH Ltd.

#### Article 5. Notices and Reservations

1. We provide the Client with information on the type of the Alternative Benchmark and Adjustment determined by us. We follow the procedure indicated in the table below:

Event	Procedure	Time limit
<b>Regulatory Event</b>	We determine the Alternative Benchmark and Adjustment. We inform the Client of this fact.	Five Business Days after the Benchmark Change Day
<b>Failure to publish the Benchmark (for a reason other than a Regulatory Event)</b>	We determine the Alternative Benchmark and Adjustment. We inform the Client of this fact.	Five Business Days after the failure to publish the Benchmark
<b>Central Counterparty's Event</b>	We notify the Client if we adopted the Alternative Benchmark and Adjustment of the Central Counterparty.	Five Business Days from the Central Counterparty's Event
<b>We determined the Alternative Benchmark and Adjustment</b>	The Client may submit his/her reservations with a justification. It does not constitute a complaint.	Five Business Days from the day on which the Client received the information from us
<b>We received reservations from the Client</b>	We verify the reservations and: <ol style="list-style-type: none"> <li>a) if we accept them in part or in whole – we inform the Client of the changes to the Alternative Benchmark or Adjustment;</li> <li>b) if we reject them – we send a reply with a justification to the Client. We apply the Alternative Benchmark and Adjustment determined by us to the Agreement.</li> </ol>	Five Business Days from the day on which we received legitimate reservations

#### Article 6. Miscellaneous Information

1. If the Alternative Benchmark permanently replaces the Benchmark used so far, the provisions of the Appendix referring to the Benchmark used so far are applied to the Alternative Benchmark, including the Adjustment.
2. A change in the method of determining the Benchmark, including a change deemed significant by the Administrator, does not constitute:
  - a) change in the terms of the Agreement,
  - b) basis for the Adjustment.
3. We publish information on the Benchmarks and Alternative Benchmarks on our website: <https://www.mbank.pl/pomoc/akty-prawne/wskazniki/>
4. We publish information on the Alternative Benchmarks and Adjustments used by us on our website (<https://www.mbank.pl/pomoc/akty-prawne/wskazniki/>) and:
  - a) in a manner provided in the Agreement,
  - b) in the mBank CompanyNet system – if the Client uses it to communicate with us, or
  - c) in writing – in every other case.
5. If the Agreement provides for written communication, the time limits for notifications are calculated from the day on which information is published on our website.