SUPPLEMENT NO. 1 DATED 8 MARCH 2022 TO THE BASE PROSPECTUS DATED 25 AUGUST 2021

mBank S.A.

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

€3,000,000,000

Euro Medium Term Note Programme

This supplement no. 1 (the "**Supplement**") is supplemental to, forms part of and should be read in conjunction with the base prospectus dated 25 August 2021 (the "**Base Prospectus**") prepared by mBank S.A. (the "**Issuer**") with respect to this €3,000,000,000 Euro Medium Term Note Programme (the "**Programme**"). In this Supplement, "**Prospectus Regulation**" means Regulation (EU) 2017/1129 of 14 June 2017 (as amended). The Base Prospectus received approval no. C-026738 on 25 August 2021 from the *Commission de Surveillance du Secteur Financier* (the "**CSSF**").

This Supplement constitutes a supplement for the purposes of Article 23 of the Prospectus Regulation and has been approved by the CSSF, as competent authority (the "**Competent Authority**") under the Prospectus Regulation in the Grand-Duchy of Luxembourg. Such an approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of the Base Prospectus. 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 and an independent assessment as to the suitability of investing in the Notes.

Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meanings when used in this Supplement. To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

The purpose of this Supplement is to:

(a) amend the reference to the financial statements in the section entitled "Presentation of Financial Information" of the Base Prospectus to refer to the audited consolidated financial statements of the Group for the financial years ended 2020 and 2021;

(b) amend the section entitled "Risk Factors" of the Base Prospectus and add a new risk factor related to the Russia-Ukraine conflict to reflect recent developments;

(c) incorporate by reference the audited consolidated financial statements of the Group for the year ended 31 December 2021 prepared in accordance with IFRS as adopted by the European Union (the "**2021 Consolidated Financial Statements**") and the separate independent registered auditor's report on the audit of the 2021 Consolidated Financial Statements;

(d) make certain amendments in the section entitled "Terms and Conditions of the Notes" of the Base Prospectus to include acknowledgement of certain powers of the Resolution Authority;

(e) add a reference to the updated Green Bond Framework;

(f) update the section of the Base Prospectus entitled "Use of Proceeds" to include additional disclosure in relation to the Green Bonds;

(g) update the section entitled "Selected Financial Information of the Issuer and Overview of the Group's Financial Condition" in order to present consolidated financial data of the Group as of and for the year ended 31 December 2021;

(h) provide disclosure in relation to the new strategy of the Group for 2021-2025 approved by the Supervisory Board of the Issuer on 29 October 2021 in the section entitled "Description of the Group" of the Base Prospectus;

(i) update the sub-section entitled "Operations" under the section entitled "Description of the Group" of the Base Prospectus in order to present the financial results of the Group's segments for the year ended 31 December 2021;

(j) update the information on the number of customers of the Group and the Group's employees in the sub-sections entitled "Retail Banking in Poland", "Retail Banking in the Czech Republic and Slovakia (mBank CZ/SK)", "Corporate and Investment Banking" and "Employees – Employment Structure" under the section entitled "Description of the Group" of the Base Prospectus;

(k) update the market shares of the Group for the year ended 31 December 2021 under the section entitled "Description of the Group" of the Base Prospectus;

(l) update information in the sub-section entitled "Ratings" under the section entitled "Description of the Group" of the Base Prospectus in order to reflect the current ratings assigned to the Issuer;

(m) update the sub-section entitled "Funding sources" under the section entitled "Description of the Group" of the Base Prospectus in order to reflect the funding structure of the Group as of 31 December 2021;

(n) update the sub-section entitled "Financial Situation of the Polish Banking Sector" in the section entitled "Market and Legal Environment" of the Base Prospectus;

(o) update the sub-section entitled "The Polish Economy" in the section entitled "Market and Legal Environment" of the Base Prospectus;

(p) update information concerning the composition of the Supervisory Board of the Issuer in the section entitled "General Information on the Bank" of the Base Prospectus;

(q) provide updated information on individual court proceedings concerning indexation clauses to CHF and a class action against the Issuer;

(r) update the section entitled "Taxation" of the Base Prospectus; and

(s) update certain information set out in the section entitled "General Information" of the Base Prospectus.

The amendments in relation to the section entitled "Terms and Conditions of the Notes" of the Base Prospectus shall only apply to the Final Terms, the date of which falls on or after the approval of this Supplement.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

In circumstances where Article 23 (2a) of the Prospectus Regulation applies, investors who have already agreed to purchase or subscribe for any Notes before this Supplement was published have the right, exercisable within three working days beginning with the working day after the date of publication of this Supplement, to withdraw their acceptances. This right to withdraw shall expire by close of business on 11 March 2022. Investors wishing to exercise their right of withdrawal should contact the distributor from whom they have agreed to purchase or subscribe for the Notes.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained herein is, subject as provided in the preceding sentence, in accordance with the facts and does not omit anything likely to affect the import of such information.

Copies of this Supplement will be available on the website of the Issuer (https://www.mbank.pl/en/investor-relations/ratings-debt-instruments/issue-programs-content.html) and on the website of the Luxembourg Stock Exchange (https://www.bourse.lu).

If documents which are incorporated by reference into this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Regulation except where such information or other documents are specifically incorporated by reference into this Supplement.

Any such document or information that is not incorporated by reference into this Supplement in line with the preceding sentence is either not relevant for investors or covered elsewhere in the Base Prospectus.

8 March 2022

mBank S.A.

CONTENTS

AMENDMENTS TO THE BASE PROSPECTUS

With effect from the date of this Supplement, the information appearing in the Base Prospectus is amended and/or supplemented in the manner described below.

Presentation of Financial Information

- The first paragraph of the section entitled "Presentation of Financial Information" on page 9 of the Base Prospectus is deleted and replaced by the following:

  "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 2020 and 2021."

Amendments to the Risk Factors Section

- The "Risk Factors" section on pages 14 to 47 of the Base Prospectus is amended as follows:

  (a) The risk factor entitled "***The Group is exposed to various risks resulting from granting, financing and securing loans denominated in or indexed to foreign currencies and, in particular, CHF.***" on page 14 under the heading "1. Risks related to the business and industry of the Issuer and its Group" is deleted and replaced with the following:

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

  The Group has significant exposure to foreign currency-denominated or foreign currency-indexed loans ("**FX loans**"), predominantly retail mortgage loans indexed to CHF ("**FX mortgage loans**"). The vast majority of retail customers who have FX mortgage loans 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 an FX Loan is denominated or to which is indexed, 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) 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 repaying their 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, all of which may adversely affect the business, financial condition and results of operations of the Group. If the increase in the probability of default (the "**PD**") and the loss given default, i.e. the percentage of exposure lost in case of default (the "**LGD**") of the Group's loans and advances significantly exceeds the rate and ratio (as applicable) that were assumed in setting interest rates for these loans, then the Group's business, financial condition and results of operations could be adversely affected.

  The Issuer's significant portfolio of FX loans is funded both through balance sheet financing and derivative transactions. The typical maturities of both the balance sheet instruments and derivative contracts are shorter than the maturities of the underlying FX Loans. As a result, the Group is required to renew such contracts when they mature. The Bank is therefore exposed to roll-over risk as well as price risk when the instruments mature. Further, since the derivatives instruments are subject to mark-to-market, the Bank is also exposed to the market price fluctuations. Consequently, significant volatility in the prices of such derivative contracts as well as in costs of balance sheet financing may 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 portfolio of the FX Mortgage Loans to fall below the outstanding value of such loans, which may in turn increase the loss given the default ratio applicable to the Bank's foreign currency portfolio. In addition, depreciation of the PLN against the CHF will cause an increase in the total risk exposure amount and, consequently, a decrease in the capital ratios of the Group.

The legal risk associated with the portfolio of FX housing loans has increased over the past seven years. In most proceedings, the mortgage servicing provisions were deemed to be "abusive" clauses and therefore such findings have resulted in these provisions not being binding on or enforceable against the borrowers. Since the judgment of the Court of Justice of the European Union on 3 October 2019 ("**CJEU October 2019 Judgment**") confirming that a court's declaration of the invalidity of a loan agreement following the exclusion of any "abusive" conversion provisions in such loan agreement would be binding on the parties thereto, the number of court actions brought by borrowers against Polish banks has increased significantly. The continuing uncertainty in relation to the outcomes of such court rulings may significantly affect the financial condition and prospects of the Issuer.

Amid such persisting uncertainty as to the trend of final court decisions in FX loan cases, in December 2020, the Chairman of the KNF called on banks to conclude settlements with borrowers aimed at eliminating the risk of an increasing number of legal disputes under loan agreements denominated in and indexed to the CHF.

On 6 December 2021, the Issuer started a three-month pilot programme of out-of-court settlements with CHF borrowers. Each settlement is based on conversion of the CHF loan into the PLN loan, after which the Issuer will write off a part of the borrower's debt. Prior to the conversion, the Issuer compares repayments of the actual FX loan with the repayments of a hypothetical PLN loan and the difference is split equally between the Issuer and the borrower. At this stage, it is difficult to assess the scale and the final cost of the proposed settlements with borrowers and whether the out-of-court settlement programme can help mitigate the legal risks of FX loans.

The carrying amount of mortgage and housing loans granted by the Issuer to individual customers in CHF as of 31 December 2021 amounted to PLN 9.1 billion (i.e. CHF 2.0 billion) compared with PLN 12.3 billion (i.e. CHF 2.9 billion) as of the end of 2020. As of 31 December 2021, 13,373 individual court proceedings were initiated against the Bank by its customers in connection with CHF loan agreements, with the total value of claims amounting to PLN 3,506.5 million. Out of the individual proceedings, 13,036 proceedings with the total value of claims amounting to PLN 3,499.9 million were related to indexation clauses in CHF loan agreements.

For the Issuer, total costs of legal risks related to foreign currency loans recognised in the income statement for 2021 amounted to PLN 2,758.1 million (in 2020: PLN 1,021.7 million). This increase was due to:

- the increased impact of legal risk related to individual lawsuits for 2021 in the amount of PLN 1,298.7 million, resulting mainly from a higher-than-expected inflow of new cases in 2021 and changes in the level of loss provisions on loan exposures due to an increase in the probability of loan agreements being held to be unenforceable as a result of recent court judgments;
- the inclusion of costs for a potential settlement programme in the amount of PLN 1,009.8 million;
- the additional loss provision for a class action lawsuit concerning indexation clauses in CHF mortgage and housing loan agreements in the amount of PLN 363.0 million; and
- provisions for the cost of counterclaims related to securing the Bank's claims in indexation cases in the amount of PLN 86.1 million.

As of 31 December 2021, the cumulative impact of legal risk related to litigation (individual lawsuits and class actions) related to indexation clauses in CHF mortgage and housing loan agreements and the voluntary settlement programme included in the Group's financial statements amounted to PLN 4,133.6 million (as of 31 December 2020: PLN 1,440.6 million).

As of 31 December 2021, provisions for legal risk were divided into:

- PLN 3,785.1 million reflected through a deduction from gross assets; and
- PLN 348.5 million included in the bank's liabilities.

The methodology of calculation of the provision for losses of individual court cases applied by the Bank depends on numerous assumptions that take into account historical data adjusted in accordance with the Bank's expectations regarding the future and involve a significant degree of expert judgement. The most important assumptions include: (i) an expected population of borrowers who will file a lawsuit against the Bank; (ii) the probability of losing the case under a final and binding judgment; (iii) the distribution of expected verdicts judged by the courts; and (iv) the loss to be incurred by the Bank in the event of losing the case in court.

The amount of PLN 1,009.8 million to cover the settlement programme costs corresponds to 34 per cent. of the maximum cost of settlements under the formula adopted in the pilot programme. This amount represents the Issuer's estimate of future voluntary settlements and, if such amount is not fully used, the remainder shall be used to cover currently unforeseen costs related to legal risks of the CHF portfolio.

The methodology of calculation of legal risk provisions is based on parameters that involve high levels of subjective judgement and have a range of possible values. It is possible that the provisions will have to be adjusted in the future, particularly as parameters used in such calculations are interdependent.

Further details including assumptions and sensitivity analysis used to calculate the total costs of legal risks related to foreign currency loans in the income statement for 2021, are provided in mBank S.A. Group IFRS Consolidated Financial Statements 2021 in Note 34. "Legal risk related to mortgage and housing loans granted to individual customers in CHF " (pages: 147-154)".

Finally, the Bank is exposed to the risks of IBOR reform. Due to the size of the CHF mortgage loan portfolio outlined above, the most prominent risk was related to the cessation of the publication of CHF LIBOR. In accordance with the Commission Implementing Regulation (EU) 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR, published on 22 October 2021, CHF LIBOR was replaced by a compounded Swiss Average Rate Overnight (SARON) rate plus the applicable spread adjustment calculated under ISDA's methodology on 1 January 2022. These provisions are fully binding and directly applicable in the legal systems of the Member States. However, the substitution of CHF LIBOR by SARON may lead to disputes between CHF borrowers and banks.

If the costs of legal risks and other risks related to foreign currency loans continue to rise, it will adversely affect the business, financial condition and results of operations of the Group."

(b) The last two paragraphs of the risk factor entitled "***The COVID-19 pandemic has materially impacted the business of the Group. The continuance of the pandemic or any future outbreak of any other highly contagious diseases could materially and adversely impact the business, financial condition, liquidity and results of operations of the Group.***" on page 16 of the Base Prospectus under the heading "1. Risks related to the business and industry of the Issuer and its Group" are deleted and replaced with the following:

"In connection with the crisis caused by the COVID-19 pandemic, the Group offered its clients assistance tools aimed at supporting them in the difficult situation resulting from the ongoing COVID-19 pandemic. The COVID-19 moratoria in Poland covered supporting instruments granted from 13 March 2020 to 30 September 2020. Afterwards, from 18 January 2021 to 31 March 2021, supporting instruments dedicated to businesses representing crafts which suffered most due to the COVID-19 pandemic have been offered.

At the end of 2021 almost all support programmes expired, except for the regulatory moratoria programme (Anti-Crisis Shield 4.0 Act effective from 23 June 2020), which offers support to customers who lost their jobs or other key income sources after 13 March 2020. The number of requests for this type of support is insignificant.

In 2020, the Group incurred certain additional costs in relation to credit risk management as a result of the COVID-19 pandemic, including additional credit risk costs of PLN 330.3 million across the portfolio measured at amortised cost. In 2021, the Group withdrew gradually from using additional premises for maintaining loans subject to non-legislative moratoria in stage 2, introduced in 2020. The Group changed the stage classification for stage 2 exposures, which were repaid on time after the moratoria period and for which there were no other transfer logic premises. The reclassification resulted in the recognition of additional income.

As a result of current COVID-19 pandemic developments, in the year ended 31 December 2021, the Issuer recognised additional income of PLN 23.6 million in total. However, even though uncertainty significantly decreased in 2021, it remains at a relatively high level when compared to pre-COVID-19 levels. Following the uncertainty over COVID-19 developments, in January 2022, the European Banking Authority confirmed the need to continue monitoring exposures and the credit quality of loans benefiting from various public support measures.

Based on the financial performance of the Group to date, the Issuer expects that the COVID-19 pandemic may have a negative impact on its financial results. The ability of the Group's customers to service their contractual obligations, including their obligations to the Group, may also be adversely affected. The degree to which the COVID-19 pandemic impacts the results of the Group's operations, liquidity, access to funding and financial position will depend on future developments, which, as of the date of this Base Prospectus, are uncertain and cannot be predicted. Detailed financial information in relation to 2020 and 2021 is presented in the section entitled "Selected financial information of the Issuer and overview of the Group's financial condition" of this Base Prospectus."

(c) The last paragraph of the risk factor entitled "***The Group faces liquidity risk.***" on page 18 of the Base Prospectus under the heading "1. Risks related to the business and industry of the Issuer and its Group" is deleted and replaced with the following:

"The reported values of the above measures as of 31 December 2021 are well above regulatory limits. However, a potential loss of liquidity or an inability to raise sufficient funds to finance lending operations may have an adverse effect on the business, financial condition and results of operations of the Group."

(d) The first paragraph of the risk factor entitled "***The Group may fail in implementing its strategy.***" on page 24 of the Base Prospectus under the heading "1. Risks related to the business and industry of the Issuer and its Group" is deleted and replaced with the following:

"At the end of October 2021, the Group introduced a new strategy for 2021-2025 called "From an icon of mobility, to an icon of possibility." The new strategy is designed to leverage the Group's competitive strengths, adapt to the new environment, address weaknesses and as a result establish the Bank so as to continue to be ranked among the top financial players in Poland whilst achieving a better valuation."

(e) In the risk factor entitled "***The Bank and the Group may be unable to satisfy its or their required minimum capital adequacy and other ratios.***" on pages 25 to 27 of the Base Prospectus under the heading "2. Risks relating to macroeconomic and regulatory conditions":

- after the sentence "As of 30 June 2021, the Group reported TCR and Tier 1 capital ratio at 17.55 per cent. and 15.18 per cent., respectively, while stand-alone TCR and Tier 1 capital ratio for the Bank stood at 20.10 per cent. and 17.32 per cent., respectively'; on page 26, the following text is added:

  "As of 31 December 2021, the required minimum capital ratios for the Bank at the individual level were 13.50 per cent. for TCR and 10.88 per cent. for Tier 1 capital ratio. At the consolidated level, the required minimum capital ratios stood at 13.17 per cent. for TCR and 10.64 per cent. for Tier 1 capital ratio.

  As of 31 December 2021, the Group reported TCR and Tier 1 capital ratio at 16.58 per cent. and 14.16 per cent., respectively, while stand-alone TCR and Tier 1 capital ratio for the Bank stood at 19.01 per cent. and 16.23 per cent., respectively.

  The change of the Group's capital ratios in 2021 was driven mainly by inclusion in the calculation of own funds the Issuer's loss for 2021 and the transitional provisions regarding the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, in accordance with Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 as well as by a significant change in the value of risk-weighted assets. In 2022, an increase of risk-weighted assets of the Bank and the Group is expected, among other things, due to regulatory factors such as the implementation of EBA guidelines to PD and LGD models and further changes caused by the introduction of a new definition of default."

- the sentence "As of 30 June 2021, the LR, LCR and the NSFR with respect to the Bank were above the minimum levels required by the CRR" on page 27 is amended as follows: "As of 31 December 2021, the LR, LCR and the NSFR with respect to the Bank were above the minimum levels required by the CRR."

(f) The risk factor entitled "***The Bank and the Group may be unable to satisfy their minimum MREL requirement***" on pages 28 and 29 of the Base Prospectus under the heading "2. Risks relating to macroeconomic and regulatory conditions" is deleted and replaced with the following:

"***The Bank and the Group may be unable to satisfy their minimum MREL requirement***

The BRRD and the BGF Act implementing into the Polish law regulations concerning resolution introduced the Minimum Requirement for Eligible Liabilities and Own Funds (the "**MREL**") for banks. The MREL responds to the need for an adequate level of liabilities that can be converted to capital (or written down) in the event of material financial distress and that resolution can be carried out without involving public funds.

In connection with the adoption of the EU Banking Reform Legislation and the subsequent amendments to the BGF Act, which came into force on 15 September 2021, the Bank Guarantee Fund (the "**BGF**") has modified its existing approach to determination of the MREL requirement. The new methodology was published by the BGF in September 2021. The changes to the methodology are related to, among other things, the determination of the MREL requirement, which is determined in relation to the Total Risk Exposure Amount (the "**TREA**") and the Total Exposure Measure (the "**TEM**") and the exclusion of the combined buffer requirement from MREL, which has to be met on top of the MREL requirement. The changes are also related to the deadline for complying with the target MREL, which is now set at 31 December 2023, as well as the interim goals.

As of the date of this Supplement, the Issuer is classified neither as a globally systematically important bank nor as a top tier bank.

According to information received from the BGF on 3 December 2021, the target MREL requirement in relation to the TREA, which the Bank has to meet by the end of 2023 at a consolidated level, has been set at the level of 20.47 per cent., including with respect to own funds and subordinated liabilities at 19.96 per cent. of the TREA. In relation to the TEM, the MREL has been set at the level of 5.91 per cent., while for own funds and subordinated liabilities at the level of 5.74 per cent. of the TEM. The MREL has been set taking into account the resolution strategy of Commerzbank AG, i.e. the Multiple Point of Entry (the "**MPE**"), where the Group constitutes a separate resolution group. mBank Hipoteczny is excluded from the consolidation for the purpose of MREL.

The Bank also received information concerning the path designated by the BGF to meet the above requirement. The interim MREL for the end of 2021 and 2022 in relation to the TREA has been set at 15.64 per cent. and 18.06 per cent., respectively, including in respect to own funds and subordinated liabilities at 15.39 per cent. and 17.68 per cent., respectively. In relation to the TEM, the interim MREL goals are 3.00 per cent. for the end of 2021 and 4.46 per cent. for the end of 2022, including in respect of own funds and subordinated liabilities of 3.00 per cent. and 4.37 per cent., respectively.

In September 2021 the Bank placed its first non-preferred senior issuance in green bond format in a total amount of EUR 500 million, which is classified as fully eligible to contribute to the MREL. As of the date of this Supplement, the Issuer has met its MREL requirement as set by the BGF on 31 December 2021, however, the MREL requirement and the subordination level will be updated on an annual basis.

The Issuer may have to issue additional eligible liabilities for the purposes of MREL in order to meet any new requirements within the required timeframes. Such actions may increase its funding costs having negative impact on its financial results.

If the Issuer were to experience difficulties in raising MREL, it may have to reduce its lending or investments in other operations".

(g) After the risk factor entitled "***The Bank and the Group may be unable to satisfy their minimum MREL requirement***" and before the risk factor entitled "***Global economic conditions have had, and will continue to have, an effect on the Group's business, financial condition and results of operations***" on page 29 of the Base Prospectus under the heading "2. Risks relating to macroeconomic and regulatory conditions" the new risk factor is added as follows:

"Risks related to the war in Ukraine

Throughout 2021, the Russian military build-up along the border of Ukraine has escalated tensions between Russia and Ukraine and strained bilateral relations. These events have continued in 2022 with Russia commencing a full-scale military invasion of Ukraine on 24 February 2022. Following the invasion of Ukraine, the EU and the United States, UK, Switzerland, Canada, Japan, Australia and some other countries made announcements regarding imposition of sanctions and sanctions have been implemented in the meantime (hereinafter, the "**Russia – Ukraine Conflict**").

Although the Group does not have direct operations in Ukraine nor in Russia and the Issuer’s credit exposure towards Ukrainian and Russian institutions, companies and natural persons is not material (0.031 per cent. of the total credit exposure of mBank Group as of 31 December 2021), the Russia-Ukraine Conflict may have an indirect impact on the Group's operations by affecting the Polish economy and financial markets caused by imposition of sanctions and the effects of the war, including commodity price volatility, increased inflation, the PLN depreciation, problems related to massive inflow of Ukraine's refugees, valuation of bonds in banks’ portfolios).

Therefore, depending on the future development of the Russia – Ukraine Conflict, it is not possible to exclude negative effects with respect to the Group. A potential slowdown in economic growth caused by the Russia-Ukraine Conflict might affect the Group's lending activity and the quality of its loan portfolio. A significant and permanent weakening of the PLN vis-a-vis foreign currencies might affect borrowers' ability to repay FX loans. This may also cause an increase in the Group's risk-weighted assets ("RWA"), which would have a negative impact on the Group’s capital ratios. It may also lead to an increase in funding costs and execution risks related to debt issuance in the capital markets.

The realisation of any of these risks could have material adverse effects on the financial position and results of operations of the Group."

(h) In the risk factor entitled "***In respect of any Notes issued with a specific use of proceeds, such as a Green Bond, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor***" on pages 42 to 44 of the Base Prospectus the second and third paragraphs are deleted and replaced with the following:

"In particular, no assurance is or can be given by the Issuer, the Group or any of the Dealers to investors that the use of such proceeds for any Green Assets will satisfy, in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments is or are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses the subject of, or related to, the relevant Green Assets.

A basis for the determination of the definitions of "green" and "sustainable" has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the "**Sustainable Finance Taxonomy Regulation**") on the establishment of a framework to facilitate sustainable investment (the "**EU**

Sustainable Finance Taxonomy"). The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation. A first delegated act on sustainable activities for climate change adaptation and mitigation objectives was approved in principle by the European Commission on 21 April 2021 and was formally adopted on 4 June 2021 for scrutiny by the colegislators. A second delegated regulation for the remaining objectives is intended to be published in 2022. While the intention is that the Group's eligible green projects (as defined under "Use of Proceeds" below) (as amended, supplemented, restated or otherwise updated) would be in alignment with the relevant objectives for the EU Sustainable Finance Taxonomy, until the technical screening criteria for such objectives have been developed it is not known whether the Group's eligible green projects will satisfy those criteria. Accordingly, alignment with the EU Sustainable Finance Taxonomy, once the technical screening criteria are established, is not certain.

It should be noted, therefore, that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social" or "sustainable" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change. Accordingly, no assurance is or can be given by the Issuer, the Group or any of the Dealers to investors that any projects or uses the subject of, or related to, any Green Assets will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Assets."

Documents Incorporated by Reference

- In the section entitled "Documents Incorporated by Reference" on page 55 of the Base Prospectus, the following is added after the sentence: "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 audited consolidated financial statements of the Group for the year ended 31 December 2021 prepared in accordance with IFRS as adopted by the European Union (the "**2021 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 2021, which constitute a free translation from the Polish version into the English language and can be viewed online at: https://www.mbank.pl/pdf/relacje-inwestorskie/raport-roczny/2021/mbank-group-consolidated-fiancial-report-pdf.zip :

   (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 177 inclusive).

   Any other information incorporated by reference that is not included in the cross-reference list above is not incorporated by reference and is either not relevant for investors or covered elsewhere in the Base Prospectus;

2. the separate independent registered auditor's report on the audit of the 2021 Consolidated Financial Statements, which constitutes a free translation from the Polish version into the English language and can be viewed online at: https://www.mbank.pl/pdf/relacje-inwestorskie/raport-roczny/2021/mbank-group-consolidated-fiancial-report-pdf.zip)."

The numbering of the documents included in the Base Prospectus on pages 55 to 57 is amended accordingly. The documents incorporated by reference shall be numbered from 1 to 16.

Certain Amendments to the Terms and Conditions of the Notes

- Condition 19.1 (*Governing law*) of the section entitled "Terms and Conditions of the Notes" on page 144 of the Base Prospectus is deleted and replaced with the following:

  "19.1 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 (*Status of the Notes*), Condition 4 (*Waiver of set off*), Condition 20 (*Acknowledgement of bail-in and loss absorption powers*) and Condition 21 (*Recognition of Stay Powers*) which shall be governed by, and construed in accordance with, Polish law."

- After Condition 20 (*Acknowledgement of Bail-In and Loss Absorption Powers*) in the section entitled "Terms and Conditions of the Notes" on page 146 of the Base Prospectus, the new Condition 21 (*Recognition of Stay Powers*) is added as follows:

"21. RECOGNITION OF STAY POWERS

By its subscription and/or purchase and holding of the Notes, each Noteholder (which for the purposes of this Condition 21, includes each holder of a beneficial interest in the Notes), where a resolution measure is taken in relation to the Issuer or any member of the same group as the Issuer which is an EU BRRD undertaking:

(a) acknowledges and accepts that the Notes may be subject to the exercise of Stay Powers;

(b) acknowledges and accepts that it is bound by the application or exercise of any such Stay Powers; and

(c) confirms that this Condition 21 (*Recognition of Stay Powers*) represents the entire agreement with the Issuer on the potential impact of Stay Powers in respect of the Notes, to the exclusion of any other agreement, arrangement or understanding between parties to the extent that such Stay Powers apply to the Notes.

In accordance with Article 68 (*Exclusion of certain contractual terms in early intervention and resolution*) of Directive 2014/59/EU of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms ("**Directive 2014/59/EU**") and any relevant implementing measures in any member state, by its subscription and/or purchase and holding of the Notes, each Noteholder further acknowledges and agrees that the application or exercise of any such Stay Powers shall not, per se, be deemed to be an enforcement event within the meaning of Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements or as insolvency proceedings within the meaning of Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems and that Noteholders shall not be entitled to take any of the steps outlined under Article 68(3) of Directive 2014/59/EU and any relevant implementing measures in any member state against the Issuer.

For the purpose of this Condition 21:

"**Stay Powers**" means the powers of a relevant resolution authority to suspend or restrict rights and obligations under:

(i) Article 33a (*Power to suspend payment or delivery obligations*);

(ii) Article 69 (*Power to suspend payment or delivery obligations*);

(iii) Article 70 (*Power to restrict the enforcement of any security interest*); and

(iv) Article 71 (*Power to temporarily suspend any termination right*),

of Directive 2014/59/EU and any relevant implementing measures in any member state including Articles 142 – 144 of the BGF Act;

"**EU BRRD undertaking**" means an entity within the scope of Article 71a of Directive 2014/59/EU and any relevant implementing measures in any EEA member state; and

"**resolution measure**" means "resolution" or the application of a "resolution tool", "crisis prevention measure" or "crisis management measure" within the meaning of Directive 2014/59/EU and any relevant implementing measures in any member state."

Green Bond Framework

- In the section titled "Green Bond Framework" on page 147 of the Base Prospectus the second, third and fourth paragraphs are deleted and replaced accordingly with the following three paragraphs:

  "In February 2022 the Issuer updated the Green Bond Framework. The Green Bond Framework is aligned with the ICMA Green Bond Principles published by the International Capital Markets Association in June 2021 (the "**GBP 2021**") which constitute voluntary guidelines recommending transparency and promoting integrity in the development of the green bonds market. The updated Green Bond Framework has been reviewed by Sustainalytics B.V. the ("**Second Party Opinion Provider**"), which has issued an opinion confirming that the Green Bond Framework is credible, impactful and aligned with the GBP 2021 (the "**Second Party Opinion**")."

  The Issuer may, in the future, update the Green Bond Framework to reflect corporate strategy, technology and market developments. Any updates to the Green Bond Framework will be approved by the Issuer's Management Board but, for the avoidance of doubt, will not require a supplement to the Base Prospectus.

  Each of the Green Bond Framework, the Second Party Opinion, any updates to the Green Bond Framework and any public reporting by or on behalf of the Issuer in respect of the application of an amount equal to the net proceeds of any such Green Bonds will be available on the Issuer's website at https://www.mbank.pl/en/investor-relations/ratings-debt-instruments/green-bonds/ ."

Use of Proceeds

- In the section titled "Use of Proceeds" on page 148 of the Base Prospectus the following text is added under the first paragraph:

  "For the purposes of this section: "eligible projects" means Green Buildings Projects and Renewable Energy Projects, which meet a set of environmental and social criteria as defined in the Green Bond Framework, which prior to the relevant Issue Date will be: (i) approved both by the Issuer and, where applicable, reviewed by the Second Party Opinion Provider, and (ii) made available on the Issuer's website at https://www.mbank.pl/pdf/msp-korporacje/relacje-inwestorskie/ratingi-instrumenty-dluzne/ratingi/mbank-green-bond-framework.pdf ."

  "**Green Buildings Projects**" means construction, renovation and acquisition of buildings that meet one of the following eligibility criteria:

  1. representing the TOP 15 per cent. low carbon buildings in Poland (best-in-class approach);
  2. year of construction is 2017 or newer (TC2017/2021), depending on year of bond issuance and bond duration, based on the Climate Bond Initiative's (the "**CBI**") Low Carbon Buildings Criteria in compliance with the CBI's established residential market proxy for Poland; and

3. upgrade and retrofit of asset if 30-50 per cent. improvement in CO2 emissions (based on the Energy Performance Certificate).

For certified Green Bonds, Climate Bonds Initiative Low Carbon Buildings Sector Criteria will be applied.

"**Renewable Energy Projects**" means development, acquisition, maintenance and operation of renewable energy sources, in particular:

1. Onshore and offshore wind energy; and
2. Solar energy, including photovoltaic (provided that 85 per cent. or more of the electricity production comes from solar energy sources),

provided a complete environmental and social impact assessment of these projects has been carried out (identified risk must be reasonably mitigated).

For certified Green Bonds, Climate Bonds Initiative Sector Criteria for Wind Energy or Solar Energy will be applied.

<u>Selected Financial Information of the Issuer and Overview of the Group's Financial Condition</u>

- The section entitled "Selected Financial Information of the Issuer and Overview of the Group's Financial Condition" on pages 149 to 161 of the Base Prospectus is updated in the following manner.

  The sections entitled "Financial results of the Group in 2020" on pages 149 to 152 of the Base Prospectus and "Financial results of the Group in H1 2021" on pages 152 to 154 of the Base Prospectus are deleted and replaced by the following section:

  "**Financial results of the Group in 2021**

  In the year ended 31 December 2021, the Group's financial results were heavily impacted by costs of legal risk related to foreign currency loans. The Group generated a net loss in the amount of PLN 1,178.8 million for the year ended 31 December 2021, compared with a net profit of PLN 103.8 million generated in the year ended 31 December 2020. Despite the negative result, the Group's capital and liquidity ratios remained materially above regulatory requirements.

  For the year ended 31 December 2021, the Group's total income was PLN 6,111.1 million, compared with PLN 5,866.8 million for the year ended 31 December 2020, which represents an increase of 4.2 per cent. Total income is calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses. Other income comprises gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses on non-trading financial assets mandatorily at fair value through profit or loss related to equity instruments and debt securities (without loans and advances).

  Net interest income remained the Group's largest income source in the year ended 31 December 2021 (67.2 per cent. of total income). In the year ended 31 December 2021, net interest income reached PLN 4,104.0 million, compared with 4,009.3 million in the previous year (an increase of 2.4 per cent.).

  In the year ended 31 December 2021, interest income declined by 5.5 per cent. to PLN 4,431.7 million (compared with PLN 4,688.4 million in the year ended 31 December 2020). Interest income from loans and advances decreased by PLN 145.3 million or 4.0 per cent. to PLN 3,503.6 million. Interest income from loans and advances includes interest income from loans and advances on the following items: assets held for trading, non-trading financial assets measured mandatorily at fair value through profit or loss and financial assets measured at amortised cost. A decrease of interest income from loans and advances reflected the impact of interest rate cuts by 140 basis points in aggregate in 2020, which was partly offset by interest rate hikes in the fourth quarter of 2021 by 165 basis points in aggregate. Interest income from investment securities decreased by PLN 165.8 million or 25.7 per cent. In the year ended 31 December 2021, interest income from investment securities reached PLN 480.2 million, compared with PLN 646.0 million in the year ended 31 December 2020. Interest income from investment securities includes interest income on the following items: non-trading financial assets measured mandatorily at fair value through profit or loss, including debt securities, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, including debt securities. At the same time, interest income on debt securities held for trading declined by 37.0 per cent. to PLN 17.1 million from PLN 27.2 million for the year ended 31 December 2020. In the year ended 31 December 2021, interest income on derivatives classified into the banking book decreased by 25.1 per cent. to PLN 94.5 million, compared with PLN 126.1 million in the year ended 31 December 2020.

In the year ended 31 December 2021, interest expense decreased by PLN 351.4 million or 51.7 per cent. to PLN 327.7 million. As a result of repricing, deposit expenses declined by PLN 280.5 million or 81.0 per cent. to PLN 66.0 million, despite a significant increase in the volume of retail and corporate deposits. Costs of debt securities issued, which constitute the Group's second-largest source of funding, decreased by PLN 72.6 million or 31.9 per cent. to PLN 155.0 million. Interest expenses arising from loans received decreased by 47.9 per cent. to PLN 4.6 million for the year ended 31 December 2021 (compared with PLN 8.9 million for the year ended 31 December 2020). The Group's net interest margin for the year ended 31 December 2021 was 2.1 per cent., compared with 2.3 per cent. for the year ended 31 December 2020.

The Group's net fee and commission income surged to PLN 1,890.0 million in the year ended 31 December 2021 registering a growth of 25.3 per cent., compared with PLN 1,508.3 million for the year ended 31 December 2020. The primary reason was an increase in fee and commission income.

The Group's fee and commission income increased by 21.0 per cent. to PLN 2,714.9 million for the year ended 31 December 2021 (compared with PLN 2,244.6 million for the year ended 31 December 2020). The highest growth was recorded in commissions from bank accounts, which grew by PLN 139.5 million or 62.8 per cent. year-on-year and reached PLN 361.8 million for the year ended 31 December 2021 (compared with PLN 222.3 million for the year ended 31 December 2020). The increase stemmed from a higher number of active clients, price adjustments in the retail and corporate segments and from collecting fees from corporate clients determined on the basis of the balance of deposits on the first day of the year for balances surpassing the fixed threshold. Credit-related fees and commissions increased by PLN 76.5 million or 16.5 per cent. year-on-year to PLN 539.3 million for the year ended 31 December 2021 (compared with PLN 462.8 million for the year ended 31 December 2020), mainly as a result of higher sales of retail mortgage and non-mortgage loans. Commissions from currency transactions increased by PLN 68.5 million or 20.2 per cent. to PLN 408.1 million for the year ended 31 December 2021 (compared with PLN 339.6 million for the year ended 31 December 2020) owing to intense activity of both corporate and retail clients amid higher volatility on the foreign exchange market.

Payment cards-related fees grew by PLN 55.5 million or 12.9 per cent. to PLN 485.8 million for the year ended 31 December 2021 (compared with PLN 430.2 million for the year ended 31 December 2020) reflecting the increased number and value of card transactions. The growth in transactional banking and a higher number of transactions resulted in an increase in commissions from money transfers by 29.6 per cent. or PLN 43.8 million to PLN 191.5 million for the year ended 31 December 2021, compared with PLN 147.8 million for the year ended 31 December 2020.

The year ended 31 December 2021 also saw an increase in commissions for agency service regarding sale of products of external financial entities by 38.4 per cent. or PLN 28.6 million to PLN 103.1 million (compared with PLN 74.5 million for the year ended 31 December 2020). This increase was driven by income from the sale of investment fund units and increased commissions from the sale of external products by mFinanse. Commissions for agency service regarding sale of insurance products of external financial entities in the year ended 31 December 2021 increased by 19.6 per cent. to PLN 131.4 million compared with the year ended 31 December 2020 (PLN 109.8 million). Fees from brokerage activity and debt securities issue increased by PLN 17.8 million or 8.0 per cent. to PLN 240.1 million for the year ended 31 December 2021 (compared with PLN 222.3 million for the year ended 31 December 2020), reflecting increased investors' activity on the Warsaw Stock Exchange and the turnover of mBank's Brokerage Bureau on the equity market. Fees from portfolio management services and other management-related fees increased by 19.7 per cent. to PLN 27.8 million for the year ended 31 December 2021 (compared with PLN 23.2 million for the year ended 31 December 2020), mirroring growing assets under management.

For the year ended 31 December 2021, fee and commission expenses increased by 12.0 per cent. to PLN 824.9 million, compared with PLN 736.3 million for the year ended 31 December 2020.

Dividend income amounted to PLN 5.0 million for the year ended 31 December 2021, compared with PLN 4.9 million for the year ended 31 December 2020.

The Group recorded net trading income of PLN 96.9 million for the year ended 31 December 2021, which represented a decrease of 47.6 per cent. compared with the year ended 31 December 2020. A decrease was driven mainly by gains or losses on financial assets and liabilities held for trading. Due to losses recorded on interest rate derivatives, they stood at PLN-77.3 million for the year ended 31 December 2021 compared to PLN 123.1 million for the year ended 31 December 2020. An increase was reported in foreign exchange results, which in 2021 reached PLN 191.7 million, compared with PLN 72.6 million for the year ended 31 December 2020.

Other income, including gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity instruments and debt securities mandatorily measured at fair value through profit or loss, decreased by 41.2 per cent. or PLN 72.6 million to PLN 103.6 million for the year ended 31 December 2021, compared with PLN 176.3 million for the year ended 31 December 2020.

In the year ended 31 December 2021, net other operating income (other operating income net of other operating expenses) amounted to PLN -88.5 million, compared with PLN -16.8 million for the year ended 31 December 2020. The deterioration in the result was driven mainly by higher provisions for future commitments.

In the year ended 31 December 2021, the Group's total overhead costs and depreciation stood at PLN 2,456.9 million, which represented a 1.9 per cent. increase in comparison with the previous year (PLN 2,411.1 million for the year ended 31 December 2020).

Staff-related expenses increased by 9.9 per cent. to PLN 1,070.9 million for the year ended 31 December 2021 (compared with PLN 974.7 million for the year ended 31 December 2020) mainly due to higher variable components of remuneration. The number of full-time equivalents increased to 6,738 as of 31 December 2021 from 6,688 as of 31 December 2020. Material costs increased by 0.8 per cent. to PLN 676.4 million for the year ended 31 December 2021 (compared with PLN 671.3 million for the year ended 31 December 2020). The Group's contribution and transfers to the BGF decreased by 23.7 per cent. or PLN 70.6 million to PLN 227.4 million for the year ended 31 December 2021. Depreciation increased by 1.3 per cent. to PLN 436.3 million for the year ended 31 December 2021 (compared with PLN 430.6 million for the year ended 31 December 2020) due to earlier investment outlays on fixed and intangible assets.

As a result of changes in income and expenses, the cost-to-income ratio for the year ended 31 December 2021 was 40.2 per cent. (compared with 41.1 per cent. for the year ended 31 December 2020). The cost-to-income ratio is calculated by dividing overhead costs and depreciation by total income comprising net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses. Other income comprises gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses on non-trading financial assets mandatorily at fair value through profit or loss related to equity instruments and debt securities (without loans and advances).

In the year ended 31 December 2021, the cost of risk in 2021 decreased notably thanks to positive macroeconomic developments and the creation of additional provisions for risks related to the COVID-19 pandemic in 2020. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses on loans and advances in non-trading financial assets mandatorily at fair value through profit or loss stood at PLN -878.6 million (compared with PLN -1,292.8 million for the year ended 31 December 2020), including impairment or reversal of impairment on financial assets not measured at fair value through profit or loss of PLN -873.2 million (compared with PLN -1,225.6 million for the year ended 31 December 2020) and gains or losses on loans and advances in non-trading financial assets mandatorily at fair value through profit or loss, which amounted to PLN -5.3 million (compared with PLN -67.2 million for the year ended 31 December 2020). The Cost of risk in the year ended 31 December 2021 stood at 76 basis points, compared with 119 basis points in the year ended 31 December 2020.

In the year ended 31 December 2021, the Group's results were strongly affected by elevated costs of legal risk related to foreign currency loans. Cost of legal risk related to foreign currency loans reached PLN 2,758.1 million, compared with PLN 1,021.7 million in the year ended 31 December 2020. The key components of these provisions in 2021 were related to the increased impact of legal risk related to individual lawsuits (PLN 1,298.7 million) and potential costs of voluntary settlement programme (PLN 1,009.8 million).

Taxes on the Group's balance sheet items for the year ended 31 December 2021 were PLN 608.6 million, compared with PLN 531.4 million for the year ended 31 December 2020.

Consequently, in the year ended 31 December 2021, the Group generated a loss before income tax in the amount of PLN 591.0 million, compared with a gross profit of PLN 609.7 million for the year ended 31 December 2020.

The Group's net loss attributable to the Owners of mBank S.A. for the year ended 31 December 2021 was PLN 1,178.8 million, compared with the net profit of PLN 103.8 million generated in the year ended 31 December 2020. The Group's Return on equity net for the year ended 31 December 2021 was negative and stood at -7.2 per cent., compared with 0.6 per cent. for the year ended 31 December 2020.

In the year ended 31 December 2021, the Group's core business (i.e. the Group without FX mortgage loans segment) generated profit before income tax in the amount of PLN 2,190.5 million (compared with PLN 1,613.2 million in the year ended 31 December 2020) and net profit attributable to the Owners of mBank S.A in the amount of PLN 1 602.7 million (compared with PLN 1,107.3 million in the year ended 31 December 2020). The return on equity net on the Group's Core Business for the year ended 31 December 2021 was 11.9 per cent., compared with 8.1 per cent. registered in the previous year.

As of 31 December 2021, the Group's gross carrying amount of loans and advances to customers stood at PLN 121.2 billion out of which PLN 73.2 billion was to individuals, PLN 47.8 billion was to corporate entities and PLN 0.2 billion was to the public sector. It compares with PLN 112.2 billion as of 31 December 2020 (including PLN 66.0 billion to individuals, PLN 46.0 billion to corporate entities and PLN 0.2 billion to the public sector).

Amounts due to customers amounted to PLN 159.9 billion as of 31 December 2021, compared with PLN 137.7 billion as of 31 December 2020.

As of 31 December 2021, the Total Capital Ratio of the Group stood at 16.58 per cent. compared with 19.86 per cent. as of 31 December 2020. The Common Equity Tier 1 capital ratio was 14.16 per cent. as of 31 December 2021, compared with 16.99 per cent. as of 31 December 2020. The consolidated leverage ratio calculated in accordance with the provisions of the CRR and Commission Delegated Regulation (EU) 2015/62 of 10 October 2014, amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio, amounted to 6.32 per cent. (compared with 7.85 per cent. in the year ended 31 December 2020).

The Issuer expects to conduct a securitisation transaction in 2022. An important goal of the securitisation is to optimise the level of risk-weighted assets within the Group.

- The title of the section entitled "GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019 AND FOR THE FIRST HALF OF THE YEAR ENDED 30 JUNE 2021 AND 30 JUNE 2020" on page 157 of the Base Prospectus is amended as follows: "GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020 AND FOR THE FIRST HALF OF THE YEARS ENDED 30 JUNE 2021 AND 30 JUNE 2020".
- Therefore, the section that begins on page 157 and ends on page 161 of the Base Prospectus is deleted and replaced by the following:

  "This section should be read together with the financial data included or incorporated by reference elsewhere in this Base Prospectus.

  Comparative Data

  Impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF

Starting from 2021, the Group changed the accounting policy for recognizing the impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF. Until the end of 2020 the Group recognized provisions for legal proceedings in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in relation to both active and repaid loans. In view of changes in conditions, such as the growing number of court cases and the predominantly unfavourable court judgments stating the invalidity of the contract in whole or certain provisions thereof the Group expects that it will not obtain the full amount of contractual cash flow. Therefore in relation to active loans the Group revised its estimates of cash flows and adjusted the gross carrying amount of those loans in accordance with IFRS 9 "Financial Instruments" paragraph B5.4.6. as the change in expected cash flows is not related to credit risk and therefore is not recognised as expected credit losses.

The comparative data as of 1 January 2020 and 31 December 2020 and for the period from 1 January to 31 December 2020 as well as 30 June 2020 and 31 December 2020 and for the period from 1 January to 30 June 2020 have been restated accordingly. The recognition of the impact of legal risk related to repaid loans remained unchanged.

The above change did not affect the equity and the income statements of the Group and the Bank in the comparative periods presented in these financial statements. The data on capital ratios for comparative periods remained unchanged.

Detailed restatements are presented in Note 2.31 of the mBank S.A. Group IFRS Consolidated Financial Statements 2021 and in Note 2 of the mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the first half of 2021.

Cash equivalents

Since the end of 2020, the Group adjusted the classification of financial assets into cash equivalents. Previously, under cash equivalents, the Bank incorrectly disclosed debt securities issued by the State Treasury held for trading with maturity over three months at acquisition date. Since the end of 2020, the Group has also changed the accounting principles governing the classification of financial assets into cash equivalents and any debt securities issued by the State Treasury held for trading are not presented as cash equivalents. The change was caused by adjusting the presentation of cash equivalents to the prevailing market practice. The Group did not divide the adjustment into the part resulting from the incorrect presentation of securities and the part resulting from the change in accounting principles due to the excessive workload in relation to the information value of such division. The comparative data for the period from 1 January to 31 June 2020 have been restated accordingly. The above change did not affect the equity and the income statements of the Group and the Bank in the comparative period presented in mBank S.A. Group IFRS Condensed Consolidated Financial Statements.

The following tables present consolidated financial data of the Group as of and for the years ended 31 December 2021 and 31 December 2020 and as of and for the first half of the year ended 30 June 2021 and 30 June 2020. They were derived from the Consolidated Financial Statements of the Group 2021 and the Condensed Consolidated Financial Statements of the Group for the first half of 2021.

The following tables present consolidated financial data of the Group as of and for the years ended 31 December 2021 and 31 December 2020 and as of and for the first half of the years ended 30 June 2021 and 30 June 2020. They were derived from the Consolidated Financial Statements of the Group 2021 and the Condensed Consolidated Financial Statements of the Group for the first half of 2021.

Consolidated Income Statements

	Year ended 31 December		Six months ended 30 June	
	2021	**2020**	**2021**	**2020**
	(PLN thousands)		*(PLN thousands)*	
	Audited		*Unaudited*	
Interest income	4,431,737	4,688,353	2,054,556	2,545,593
Interest expenses	(327,694)	(679,053)	(146,124)	(473,518)
Net interest income	**4,104,043**	**4,009,300**	**1,908,432**	**2,072,075**
Fee and commission income	2,714,896	2,244,561	1,292,272	1,079,913
Fee and commission expenses	(824,875)	(736,276)	(371,643)	(354,300)

	Year ended 31 December		Six months ended 30 June	
	2021	2020	2021	2020
Net fee and commission income	**1,890,021**	**1,508,285**	**920,629**	**725,613**
Dividend income..	5,046	4,926	3,912	4,479
Net trading income...	96,890	184,752	106,765	84,350
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	4,608	15,572	(6,879)	(43,706)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	93,690	93,527	92,115	2,258
Other operating income...	232,384	218,052	108,008	116,065
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(873,226)	(1,225,642)	(380,984)	(713,914)
Costs of legal risk related to foreign currency loans	(2,758,079)	(1,021,714)	(314,805)	(201,883)
Overhead costs..	(2,020,629)	(1,980,500)	(1,020,660)	(1,093,960)
Depreciation..	(436,254)	(430,628)	(224,227)	(213,872)
Other operating expenses..	(320,898)	(234,820)	(163,493)	(104,888)
Operating profit...	**17,596**	**1,141,110**	**1,028,813**	**632,617**
Taxes on the Group balance sheet items	(608,627)	(531,379)	(285,986)	(270,247)
Profit before income tax	**(591,031)**	**609,731**	**742,827**	**362,370**
Income tax expense..	(587,782)	(505,974)	(317,060)	(184,533)
Net profit	**(1,178,813)**	**103,757**	**425,767**	**177,837**
Net profit attributable to:...				
Owners of mBank S.A.	**(1,178,753)**	**103,831**	425,808	177,900
Non-controlling interests..	(60)	(74)	(41)	(63)

Source: mBank S.A. Group Consolidated Financial Statements 2021, mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the first half of 2021.

Consolidated Statements of Comprehensive Income

	Year ended 31 December		Six months ended 30 June	
	2021	2020	2021	2020
	(PLN thousands) *Audited*		*(PLN thousands)* *Unaudited*	
Net profit	**(1,178,813)**	**103,757**	**425,767**	**177,837**
Other comprehensive income net of tax, including:	**(1,788,889)**	**407,791**	**(410,773)**	**577,309**
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	4,898	3,043	357	(303)
Cash flow hedges (net)..	(919,332)	299,988	(251,334)	367,235
Change in valuation of debt instruments at fair value through other comprehensive income (net)	(892,950)	111,012	(171,232)	210,377
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	7,059	(6,252)	-	-
Investment properties..	11,436	-	11,436	-
Total comprehensive income (net)....................................	**(2,967,702)**	**511,548**	**14,994**	**755,146**
Total comprehensive income (net), attributable to:				
Owners of mBank S.A.	(2,967,642)	511,622	15,035	755,209
Non-controlling interests...	(60)	(74)	(41)	(63)

Source: mBank S.A. Group Consolidated Financial Statements 2021, mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the first half of 2021.

Consolidated Statements of Financial Position

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020 R
	(PLN thousands) *Audited*	*(PLN thousands)* *Unaudited*	*(PLN thousands)* *Audited*
ASSETS			
Cash and balances with the Central Bank..	12,202,266	16,523,318	3,968,691
Financial assets held for trading and hedging derivatives	2,589,076	3,071,575	2,586,721

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020 R
Non-trading financial assets mandatorily at fair value through profit or loss, including:	1,417,191	1,676,705	1,784,691
Equity instruments	224,389	209,502	202,304
Debt securities	81,128	82,064	76,068
Loans and advances to customers	1,111,674	1,385,139	1,506,319
Financial assets at fair value through other comprehensive income	36,206,059	32,046,002	35,498,061
Financial assets at amortised cost, including:	140,296,538	139,646,009	130,179,902
Debt securities	16,164,103	15,083,951	15,952,501
Loans and advances to banks	7,229,681	9,750,443	7,354,268
Loans and advances to customers	116,902,754	114,811,615	106,873,133
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,055,478	161,103	
Non-current assets and disposal groups classified as held for sale	31,247	-	-
Intangible assets	1,283,953	1,207,765	1,178,698
Tangible assets	1,542,250	1,553,987	1,514,577
Investment properties	127,510	127,510	-
Current income tax assets	28,147	15,461	23,957
Deferred income tax assets	1,392,350	1,018,246	853,880
Other assets	1,366,820	1,423,211	1,282,439
Total assets	**199,538,885**	**198,470,892**	**178,871,617**
LIABILITIES & EQUITY			
Financial liabilities held for trading and hedging derivatives	2,011,182	1,803,770	1,338,564
Financial liabilities measured at amortised cost, including:	179,348,925	175,007,387	156,673,052
Amounts due to banks	3,359,558	2,820,649	2,399,740
Amounts due to customers	159,935,129	156,583,517	137,698,668
Debt securities issued	13,429,782	13,060,997	13,996,317
Subordinated liabilities	2,624,456	2,542,224	2,578,327
Fair value changes of the hedged items in portfolio hedge of interest rate risk	110,033	33,788	59,624
Liabilities included in disposal groups classified as held for sale	7,425	-	-
Provisions	811,455	562,789	501,691
Current income tax liabilities	61,910	92,239	225,796
Deferred income tax liabilities	89	87	690
Other liabilities	3,469,950	4,277,229	3,397,133
Total liabilities	**185,820,969**	**181,777,289**	**162,196,550**
Total equity	**13,717,916**	**16,693,603**	**16,675,067**
Total liabilities and equity	**199,538,885**	**198,470,892**	**178,871,617**

R - restated

Source: mBank S.A. Group IFRS Consolidated Financial Statements 2021, mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the first half of 2021.

Items from Consolidated Cash Flow Statements	**Year ended 31 December**		**Six months ended 30 June**	
	2021	**2020 R**	**2021**	**2020**
	(PLN thousands) Audited		*(PLN thousands) Unaudited*	
Cash and cash equivalents at the beginning of the reporting period	4,249,046	8,279,388	4,249,046	8,279,388
Cash flows from/ operating activities	10,803,934	1,328,005	18,457,170	7,281,168
Cash flows from investing activities	(508,006)	(444,346)	(324,982)	(191,566)
Cash flows from financing activities	(1,994,726)	(4,944,884)	(2,062,194)	(1,185,508)
Effects of exchange rate changes on cash and cash equivalents	(9,649)	30 883	8,958	22,640
Cash and cash equivalents at the end of the reporting period	12,540,599	4,249,046	20,327,998	14,206,122
Net increase/decrease in cash and cash equivalents	8,301,202	(4,061,225)	16,069,994	5,904,094

R - restated

Source: mBank S.A. Group IFRS Consolidated Financial Statements 2021, mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the first half of 2021.

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 of the dates indicated below.

	31 December		30 June	
	2021	**2020**	**2021**	**2020**
	(per cent.)		*(per cent.)*	
	Audited		*Unaudited*	
Total capital ratio	16.58	19.86	17.55	19.26
Common Equity Tier 1 capital ratio/Tier 1 capital ratio	14.16	16.99	15.18	16.43

Source: *mBank S.A. Group IFRS Consolidated Financial Statements 2021, mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the first half of 2021.*

Key Financial Ratios

The table below presents selected financial ratios for the Group (except LCR and NSFR, which are presented for the Bank) as of the dates and for the periods indicated below.

	As of and for the year ended 31 December		As of and for six months ended 30 June	
	2021	**2020**	**2021**	**2020**
	(per cent.)		*(per cent.)*	
	Unaudited		*Unaudited*	
ROE gross[1]	-3.6	3.6	8.9	4.4
ROE net[2]	-7.2	0.6	5.1	2.1
ROA net[3]	-0.59	0.06	0.44	0.21
Cost to income ratio (C/I)[4]	40.2	41.1	41.8	45.0
Net interest margin (NIM)[5]	2.1	2.3	2.1	2.5
Non-performing loans ratio (NPL ratio)[6]	3.9	4.8	4.4	4.9
NPL ratio – corporate portfolio[7]	4.7	6.5	5.9	6.3
NPL ratio – retail portfolio[8]	3.4	3.7	3.5	4.0
NPL ratio of mortgage loan portfolio to private individuals (Poland)[9]	1.7	1.7	1.7	2.1
NPL Coverage ratio[10]	53.1	58.3	58.3	58.8
Cost of risk[11]	0.76	1.19	0.70	1.41
Loan-to-deposit ratio[12]	73.8	78.8	74.2	77.5
Equity to assets[13]	6.9	9.3	8.4	9.3
Liquidity Coverage Ratio (LCR)[14]	203	202	236	226
Net Stable Funding Ratio (NSFR)[15]	152	138	149	135

Source: The Bank.

[1] *Calculated by dividing profit before income tax by the average equity attributable to Owners of the Bank. The average equity is calculated on the basis of the balances as the end of each month. Profit before income tax is annualised based on the number of days in*

the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

[2] *Calculated by dividing net profit attributable to Owners of the Bank by the average equity attributable to Owners of the Bank. The average equity is calculated on the basis of the balances as of the end of each month. Profit before income tax is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).*

[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 of the end of each month. Net profit attributable to Owners of the Bank is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).*

[4] *Calculated by dividing overhead costs and depreciation by total income comprising: net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses. Other income comprises gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses on non-trading financial assets mandatorily at fair value through profit or loss related to equity instruments and debt securities (without loans and advances).*

[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, debt securities (in all valuation methods) and loans and advances to customers (net; in all valuation methods). The average interest-earning assets are calculated on the basis of the balances as of the end of each month. Net interest income is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).*

[6] *Calculated by dividing a sum of the gross carrying value of loans and advances to customers at amortised cost with impairment (stage 3 and POCI) and the gross carrying value of loans and advances mandatorily at fair value through profit or loss in default by the total (gross) loans and advances to customers.*

[7] *Calculated by dividing a sum of the gross carrying value of loans and advances to corporate customers at amortised cost with impairment (stage 3 and POCI) and the gross carrying value of loans and advances to corporate customers mandatorily at fair value through profit or loss in default by the total (gross) loans and advances to corporate customers excluding reverse repo/buy/sell-back transactions.*

[8] *Calculated by dividing a sum of the gross carrying value of loans and advances to retail customers at amortised cost with impairment (stage 3 and POCI) and the gross carrying value of loans and advances to retail customers mandatorily at fair value through profit or loss in default 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. The mortgage loan portfolio is measured at amortised cost. The ratio calculated for 30 June 2020 does not include the impact of the new default definition (NDD) introduced in 2021 and is comparable with ratios calculated for 31 December 2020, 30 June 2021 and 31 December 2021.*

[10] *Calculated by dividing a sum of accumulated provisions for loans and advances to customers at amortised cost with impairment (stage 3 and POCI) and accumulated provisions for loans and advances to customers mandatorily at fair value through profit or loss by a sum of the gross carrying value of loans and advances to customers at amortised cost with impairment (stage 3 and POCI) and the gross carrying value of loans and advances mandatorily at fair value through profit or loss in default.*

[11] *Calculated by dividing a sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses on non-trading financial assets mandatorily at fair value through profit or loss related to loans and advances to customers by the average net loans and advances to customers (the sum of loans and advances to customers recognised in: financial assets measured at amortised cost, non-trading financial assets mandatorily measured at fair value through profit or loss and financial assets held for trading).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. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses on non-trading financial assets mandatorily at fair value through profit or loss related to loans and advances to customers are annualised based on the number of quarters in the analysed period (the annualisation ratio is calculated as the quotient of the number of quarters in a year and the number of quarters in the analysed period).*

[12] *Calculated by dividing net loans and advances to customers by amounts due to customers. Net loans and advances to customers are calculated as a sum of loans and advances to customers at amortised cost, loans and advances to customers mandatorily at fair value through profit or loss and loans in financial assets held for trading.*

[13] *Calculated by dividing total equity by total assets.*

[14] *Liquidity Coverage Ratio (LCR) – the ratio of liquid assets of the liquidity buffer to the expected net outflows within 30 calendar days.*

[15] *Net Stable Funding Ratio (NSFR) – the ratio of own funds and stable liabilities ensuring stable financing to illiquid assets and receivables requiring stable financing.*"

<u>Description of the Group</u>

- The last but one paragraph in the sub-section entitled "History" under the section entitled "Description of the Group" of the Base Prospectus on page 164 of the Base Prospectus is deleted and replaced with the following:

"On 29 October 2021, the Management Board of the Issuer adopted, and the Issuer's Supervisory Board approved, the new Strategy of mBank Group for 2021-2025 entitled "From an icon of mobility, to an icon of possibility". While preparing the new strategy, the Group took into account, among others, expected economic and market prospects, regulatory requirements, technological progress, evolution of consumer behaviour and its dynamics, local constraints and internal conditions."

- The sub-section entitled "Operations" under the section entitled "Description of the Group" of the Base Prospectus on pages 173 to 176 of the Base Prospectus is updated in the following manner:

The table under the sentence "The following table shows the gross profit of the Group's segments for the periods indicated in the table below" on page 175 of the Base Prospectus is deleted and replaced by the following:

	Year ended 31 December			
	2021		2020	
	Amount	per cent. of total	Amount	per cent. of total
	(PLN thousands)		*(PLN thousands)*	
		Audited		
Retail Banking	1,505,095	-254.7	1,073,284	176.0
Corporate and Investment Banking	803,121	-135.9	491,692	80.6
Treasury and Other	(117,754)	19.9	48,180	7.9
FX Mortgage Loans	(2,781,493)	470.6	(1,003,425)	-164.6
Total	**(591,031)**	**100.0**	**609,731**	**100.0**

Source: mBank S.A. Group IFRS Consolidated Financial Statements 2021

Under the table on page 175 of the Base Prospectus, the text before the table on page 176 of the Base Prospectus is deleted and replaced with the following text and the table with the consolidated income statement and assets and liabilities broken down into Core Business and non-core business for the year ended 31 December 2021:

"Business segment reporting on the activities of the Group for the period from 1 January to 30 December 2021 with the separated non-core business segment is presented below. Non-core assets are defined as all residential mortgage loans granted to individual customers in Poland that at any point in time were in another currency than PLN. In addition to the FX mortgage loan portfolio risk, other legal risks arising from FX mortgage contracts are also allocated to the non-core business segment.

Business segment reporting on the activities of the Group for the year ended 31 December 2021

Data regarding consolidated income statement *period from 1 January to 31 December 2021*	**Core Business**	**Non-core business (FX Mortgage Loans)**	**Total figure for the Group**
		(PLN thousands) *Audited*	
Net interest income	3,978,220	125,823	4,104,043
Net fee and commission income	1,897,040	(7,019)	1,890,021
Dividend income	5,046	-	5,046
Net trading income	136,695	(39,805)	96,890
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	4,608	-	4,608
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	93,690	-	93,690
Other operating income	231,422	962	232,384
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(859,997)	(13,229)	(873,226)
Costs of legal risk related to foreign currency loans	-	(2,758,079)	(2,758,079)
Overhead costs	(2,000,057)	(20,572)	(2,020,629)

Business segment reporting on the activities of the Group for the year ended 31 December 2021

Data regarding consolidated income statement *period from 1 January to 31 December 2021*	**Core Business**	**Non-core business (FX Mortgage Loans)**	**Total figure for the Group**
Depreciation	(435,450)	(804)	(436,254)
Other operating expenses	(304,933)	(15,965)	(320,898)
Operating profit	**2,746,284**	**(2,728,688)**	**17,596**
Taxes on the Group balance sheet items	(555,822)	(52,805)	(608,627)
Profit before income tax of the segment	**2,190,462**	**(2,781,493)**	**(591,031)**
Data regarding consolidated statement of financial position *31 December 2021*			
Assets of the segment	188,235,975	11,302,910	199,538,885
Liabilities of the segment	185,394,551	426,418	185,820,969

Source: mBank S.A. Group IFRS Consolidated Financial Statements 2021

Key financial ratios for the Core Business as of 31 December 2021 are as follows:

Net interest margin: 2.2 per cent.

Cost to income ratio: 40.3 per cent.

Cost of Risk: 0.85 per cent.

Net ROE: 11.9 per cent.

Net ROA: 0.86 per cent."

- The sub-sections "Strategy of the Group", "Pillars of the strategy and main directions of development", "Employees and organisation culture", "Financial targets of the Group" and "ESG strategy" under the section entitled "Description of the Group" on pages 169 to 173 of the Base Prospectus are deleted and replaced by the following:

"Strategy of mBank Group for 2021-2025.

On 29 October 2021, the Management Board of the Issuer adopted, and the Issuer's Supervisory Board approved, the new Strategy of mBank Group for 2021-2025 entitled "From an icon of mobility, to an icon of possibility". The new strategy replaced the Group's strategy for 2020-2023 entitled "Growth fuelled by our clients". Whilst preparing the new strategy, the Group took into account, among other things, expected economic and market prospects, regulatory requirements, technological progress, evolution of consumer behaviour and its dynamics, local constraints and internal conditions.

The Issuer believes that the Group's strategy will contribute to strengthening of its position by focusing on fundamental banking values such as stability, security and secrecy.

mBank's strategy is based on the following seven guiding principles:

- understanding the needs of customers in their life cycle and calibrating products adequately to support them effectively;
- helping customers to keep their finances in order by providing them with financial management capabilities and regularly improving these functionalities;
- improving mobile access through being the core medium/channel for interaction with the customer;
- ensuring the security of customers' payments and customers' assets placed with Issuer;
- committing to banking secrecy and the Group's promise to protect customer information, personal data and financial profile of customers' activities;

- offering a deep experience for the Group's customers in e-commerce; and
- executing the Group's ESG strategy focused on the Group's responsibility for climate, society and the financial health of customers.

mBank Group's strategy for 2021-2025 focuses on five areas:

- **Retail banking**: The Group aspires to be a leading retail banking franchise integrated with the needs of customers in their life cycle. The Issuer's successful organic growth is expected to continue to be fuelled by the acquisition of new (primarily young) clients and the keeping of the existing client base. The Group will be organised around demographic segments to develop a comprehensive offer and a value proposition responding closely to needs arising at different phases of the customer lifecycle. The Issuer will focus on mortgage lending expansion (through a revised underwriting process), its comprehensive investment offering (via its own newly-established TFI), personal financial management (PFM) tools and offering of non-banking services. With a reinforced mobile-first approach, the Issuer's contact channels will be aligned to focus on remote access and digital sales. The Issuer will support entrepreneurs and small firms by providing them with industry-customised expertise and an integrated platform for managing their different business-related activities.
- **E-commerce**: The Issuer aspires to be the preferred bank for merchants and online shops, as well as a favourite platform for customers making on-line purchases. The Group wants its payment integrator Paynow to gain a significant share in processing online transactional volumes. The Group is planning to extend the range of value-added services and financing tailored for online sellers with a view to increase the importance of their relationships with mBank and cooperate with them in the most important parts of their e-commerce activity. The Issuer also plans to modernise and extend the existing mDiscounts (mOkazje) platform.
- **Corporate banking**: The Group wants to grow its corporate banking business, optimising exposures towards higher profitability. The Group will initiate, develop and intensify cooperation with companies from prospective industries and the fastest growing sectors of the economy, in alignment with the Group's ESG strategy. A greater focus on the SME segment will allow the Group to progress its e-commerce offering. The Issuer is **planning** to provide the premium end-to-end digital banking experience for corporates in Poland in order to further improve customer satisfaction and internal efficiency. The Issuer will also redesign its credit process so as to support business development as well as ensuring prudent risk management. In parallel, the Group intends to strengthen relationships with its customers through additional knowledge-based services and through the assistance of top-rated advisers and in-depth industry expertise.
- **Technology, security and data**: One of the Group's primary goals is to provide to customers high quality services and solutions delivered with high availability and security . By being cloud-ready, the Group will maintain its technological advantage in the financial sector which should in turn boost flexibility, foster innovation in business applications, shorten time-to-market and enlarge the scalability of used technology. The Issuer will strive to prioritise continuous development of a multi-layer cybersecurity defence model and the assurance of data secrecy. The Issuer aims to offer the highest possible security with respect to its mobile application and to deliver the most secure and client-friendly identity confirmation process across all digital channels. At the same time, the Group plans to employ artificial intelligence and data science to support the creation of innovative customer products and better risk assessment, as well as to increase the effectiveness of internal systems and workflows.
- **Employees and organisation culture**: The Group aims to create a culture where cooperation is based on trust, with the intention to give people a comfortable space to experiment, innovate and make bold decisions. The Group is **planning** to develop a best-in-class hybrid work environment. The Issuer's managers will acquire practical skills in managing distributed teams, while the employees will take advantage of new communication and collaboration technology. The Group will make people capabilities a competitive advantage for the company through a strengths-based approach to leverage individual talents

and focus on future skills needed for the organisation to succeed. The Group will amend the remuneration scheme to make it attractive from the employee perspective and supporting company objectives.

Strategic financial targets of the Group for 2025

The Group seeks to maintain its position among the top Polish banks not only in terms of business growth but also in key financial metrics. In the coming years, the Group's profitability should systematically improve due to rising revenues, effective cost discipline and a prudent approach to risk management.

The Group aims to optimise the balance sheet of the Group from both profitability and structural perspectives. In particular, the Group intends to constantly increase the share of higher yielding assets (retail and SME loans) and maintain diversification of funding sources (in terms of maturity, currency and products). Such changes, together with interest rate hikes, should result in increased margins. Consequently, the management predicts that the return generated for the shareholders will be attractive compared to other players in the Polish banking sector.

The activities of the Group in 2021-2025 will be focused on achieving the following **strategic financial targets**:

Efficiency

- Cost/Income ratio (C/I): ~40 per cent. in 2025

Stability

- Capital ratios: significantly above the KNF requirements – under the current regulatory regime and adopted assumptions with year-end Tier 1 capital ratio at least 2.5 per cent. above the minima
- Cost of risk (COR): ~0.80 per cent. in the mid-term perspective

Growth

- Average annual growth rate (CAGR) between 2021 and 2025 at: ~8 per cent. for loans, ~8-9 per cent. for deposits and ~9-10 per cent. for total revenues

Profitability

- Net interest margin (NIM): ~2.5 per cent. in 2025
- Return on equity (ROE): above 10 per cent. in 2025

The Issuer's long-term goal is to pay 50 per cent. of net profit as a dividend. The adopted policy allows for keeping capital ratios at the safe levels.

The above assumptions and strategic goals do not constitute a forecast or estimate of results, including financial ones, and are only information on the planned areas of the Bank's activities and potential directions of development for 2021-2025.

The financial targets for 2025 reflect a base scenario for the Group's development, and they may be affected both positively and negatively by a number of factors.

Upside potential to the basic revenue trajectory and profitability may stem from:

- faster and bigger interest rate hikes than assumed in the financial plan;
- higher dynamics of fee and commission income resulting from better contribution from new business/services and more adjustments to the price lists; and
- considerably increased new mortgage loan production.

On the negative side, the Group's financial performance and capital position may deteriorate due to:

- adverse FX mortgage loan scenario and regulatory instability;
- worsening macroeconomic conditions (lower GDP growth, high unemployment rate, lack of private investments) and unfavourable market development (PLN depreciation) impacting business volumes and risk profile; and

- persistent inflation and tightening labour market putting pressure on cost base.

ESG strategy of mBank Group

The Sustainable Development Committee of the Group, which is headed by the Chief Risk Officer, supervises ESG management in the company, monitors ESG-related KPIs, oversees green bond issuances and the process of calculating our carbon footprint, facilitates implementation of the EU Taxonomy for Sustainable Finance and enhances non-financial reporting. The Group integrates ESG issues and standards into business, risk and management processes, assigns responsibility and sets ESG goals to the top management. The Group plans constantly to enhance ESG disclosure standards so as to be favourably viewed by the shareholders and the broader investment community.

The Group's activities in the ESG area will be centred around four aspects:

1. Responsibility for climate

By 2050 the Issuer aims to become a fully climate-neutral bank and by 2030 it plans to reach climate neutrality in scope 1 and 2.

The Issuer plans to limit direct emissions from company-owned and controlled resources as well as reduce indirect emissions from the generation of energy purchased by the Issuer. The particular goals are to be defined every five years to reach net zero standards.

The Issuer is planning to promote green financing in both the corporate and retail segments of its business. The Issuer intends to finance sustainable development, guide its clients in their energy transformation and encourage them to implement ESG standards in their business activities. The Issuer intends to sell more mortgage loans collateralised on residential buildings that meet low carbon trajectory requirements. In the coming years, the Issuer will increasingly prefer real estate investments reaching Net Zero Energy Building (NZEB) standard. The Issuer plans to continue to provide ESG-compliant investment solutions for private banking customers and also to clients of the newly established investment fund company. The Group plans to introduce a special offer for small firms, favouring pro-ecological investments. By also launching other eco-friendly products, the Issuer wants to be the first choice bank for customers looking for financing of eco-projects.

2. Responsibility for financial health of the Issuer's clients

Further to its aim to be an ethical, fair and transparent organisation, the Issuer plans to educate and support its stakeholders in better understanding its offer, policies and activity. Prices and tariffs are expected to be communicated in a legible, comprehensible manner and to present in a transparent way the risks associated with specific financial products. The Issuer plans to continue to promote safe online banking and personal data protection. The Group's services are to be further adjusted to the needs of people with various disabilities. To ensure equal access to banking services for everyone, the Issuer plans to have in its offer a free basic account for those in need.

3. Responsibility for being an organisation in line with ESG values

The Issuer wants to build an ESG-oriented working environment. The Issuer aims to foster an ESG-focused mindset among its employees through the implementation of specific education and information programmes. The Issuer aims to promote diversity, innovation, entrepreneurship, responsibility, cooperation and the adoption of hybrid work systems. The Issuer aims to incorporate ESG bases and/or criteria into its business and employee processes, such as recruitment and succession, on-boarding, development activities, assessment of attitudes (feedback), methods of work and project management. In addition, the Issuer aims to introduce a special code and incorporate ESG criteria in purchasing procedures.

The Issuer seeks to promote diversity and inclusiveness as integral parts of its structure and business, while contributing to improved business performance in a variety of aspects of the Group's business. The Issuer would like to be a merit-based organisation. The Issuer is committed to ensuring equal opportunity and a level playing field for all employees. Diversity is therefore a part of Issuer's management competency model.

The Issuer is engaged in cooperation within the banking sector and with other organisations (e.g. trade associations and foreign aid banks) and takes part in initiatives supporting the achievement of Sustainable Development Goals at a local, national and global level.

4. Responsibility for society

The Issuer plans to act for the financial and non-financial benefit of society through a variety of social and charitable initiatives, including, but not limited to, educational programmes for children and adolescents launched via its "mBank Foundation" and enabling support of NGOs and foundations via mBank's mobile application.

The Issuer plans to continue supporting and promoting young painters through a dedicated fund ("m jak malarstwo") as well as its partnership with and sponsoring of the Great Orchestra of Christmas Charity (WOŚP)."

- The table on page 177 of the Base Prospectus and the paragraph above this table in the sub-section entitled "Retail Banking in Poland" are deleted and replaced by the following:

  "As of 31 December 2021, the Group serviced nearly 4.49 million retail customers in Poland compared to 4.66 million as of 31 December 2020. A decrease in the number of customers resulted mainly from the closing of inactive accounts.

The table below presents the growth of the Bank's customer base in Poland.

	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	June 2021	Dec. 2021
Number of clients (in thousands)	4,437.0	4,760.6	4,645.3	4,658.5	4,449.1	4,487.8

Source: the Bank"

- The table on page 182 of the Base Prospectus in the sub-section entitled "Retail Banking in the Czech Republic and Slovakia (mBank CZ/SK)" is deleted and replaced by the following table:

	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	June 2021	Dec. 2021
Number of clients (in thousands)	905.3	924.3	958.6	1,003.4	1,015.2	1,026.9

Source: the Bank

- The table on page 184 of the Base Prospectus in the sub-section entitled "Corporate and Investment Banking" is deleted and replaced by the following table:

	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	June 2021	Dec 2021
K1	2,093	2,193	2,319	2,358	2,347	2,272
K2	7,088	7,520	8,211	8,862	9,335	9,740
K3	12,867	13,993	15,946	17,863	18,753	19,303
Total number of corporate customers	**22,048**	**23,706**	**26,476**	**29,083**	**30,417**	**31,315**

Source: the Bank

Moreover, the first sentence on page 164 of the Base Prospectus in the sub-section entitled "Mobile banking icon" under the section entitled "Competitive Strengths" is deleted and replaced by the following:

"mBank remains the leader in mobile banking in Poland. Nominally, mBank has the second largest number of active users of mobile applications according to a PRNews.pl report, but it has the highest share of active users of mobile applications in relation to the personal accounts database. As of 31 December 2021, the number of active users of the Issuer's mobile application was 2,960 thousand (including 2,588 thousand in Poland) compared with 2,577 thousand users (including 2,274 users in Poland) as of 31 December 2020."

- The table on page 188 of the Base Prospectus in the sub-section entitled "Employees – Employment Structure" is deleted and replaced by the following table:

	Number of FTE		
	31 December 2021	30 June 2021	31 December 2020
Bank	6,075	5,983	6,034
Subsidiaries (consolidated)	663	658	654
Total..	**6,738**	**6,641**	**6,688**

- The market shares of mBank Group under the section under the section entitled "Description of the Group" of the Base Prospectus are updated as follows:

  1. On page 164 of the Base Prospectus, the sub-section entitled "Leading Market Position across Key Segments" under the section entitled "Competitive Strengths" is deleted and replaced by the following:

  "Leading Market Position across Key Segments

  As of 31 December 2021, the Group's market share in total assets of the Polish banking sector was 7.8 per cent. The Group has a leading position in retail, corporate and investment banking in Poland. As of 31 December 2021, the market share of the Group in total loans to the non-financial sector was 7.9 per cent., while the Group's share in total deposits of the non-financial sector was 8.8 per cent.

  As of 31 December 2021, the Group's market share in retail loans stood at 7.9 per cent. (8.4 per cent. in mortgage loans and 7.1 per cent. in non-mortgage loans), while the Group's market share in retail deposits stood at 8.3 per cent. (based on NBP figures).

  As of 31 December 2021, the Group's market share in corporate loans and corporate deposits stood at 8.2 per cent. and 10.7 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 Newsletter, as of 30 November 2021 the Bank was ranked second in the market for arranging bank debt securities, fourth in the market for providing corporate bonds and was fifth in the market for providing short-term debt securities. The Bank is also ranked among the leading government debt securities primary dealers by the Polish Ministry of Finance (the Bank was ranked first in the Treasury Dealers ranking in 2021), as well as money market dealers by the NBP."

  2. On page 177 of the Base Prospectus in the sub-section entitled "Retail Banking in Poland" the sentence concerning the Group's market share as of 30 June 2021 in the second paragraph is deleted and replaced by the following:

  "As of 31 December 2021, the Group's market share in household loans and household deposits stood at 7.9 per cent. (8.4 per cent. in mortgage loans and 7.1 per cent. in non-mortgage loans) and 8.3 per cent., respectively."

  3. On page 188 of the Base Prospectus the last paragraph in the description of mLeasing under the sub-section entitled "Services Provided by Bank's Subsidiaries within Corporates and Institutions" is deleted and replaced by the following; "The total value of contracts concluded by mLeasing in 2021 amounted to PLN 6.5 billion, As of 31 December 2021, the market share of mLeasing was 7.4 per cent."

  4. On page 188 of the Base Prospectus the following sentence is added as the last sentence in the description of mFaktoring under the sub-section entitled "Services Provided by Bank's Subsidiaries within Corporates and Institutions": "As of 31 December 2021, the market share of mFaktoring was 8.2 per cent."

- The references to Fitch Long Term Issuer Default Rating "BBB- (RWN)" in the section entitled "Ratings" on pages 190 and 191 of the Base Prospectus, is replaced with "BBB- (negative outlook)".

  On page 192 of the Base Prospectus the following information is added after the paragraph beginning from the sentence "On 16 March 2021, Fitch Ratings placed mBank's ratings on Rating Watch Negative (RWN)":

  "On 9 September 2021, Fitch removed the Issuer's rating from Negative Rating Watch (RWN) and assigned a negative outlook.

  In September 2021, Fitch and S&P assigned the "BBB-" long-term rating to senior non-preferred debt issued under the Programme. In addition, on 21 September 2021 Fitch upgraded the Issuer's rating of outstanding senior preferred debt to "BBB" from "BBB-" and removed the rating from Rating Watch Positive (RWP).

  On 27 January 2022, S&P affirmed the Issuer's rating and the outlook under the revised "Financial Institutions Rating Methodology"."

- The table which appears on page 193 of the Base Prospectus in the section entitled "Funding sources" is deleted and replaced by the following:

"The funding structure of the Group as of 31 December 2021 and 30 June 2021 is presented below.

	31 December 2021		30 June 2021	
	PLN million	**Per cent.**	**PLN million**	**Per cent.**
Amounts due to customers	159,935.1	86.1	156,583.5	86.1
-individual customers	*112,446.1*	*60.5*	*106,699.7*	*58.7*
-corporate customers and public sector	*47,489.0*	*25.6*	*49,883.8*	*27.4*
Debt securities issued	13,429.8	7.2	13,061.0	7.2
Amounts due to banks	3,359.6	1.8	2,820.6	1.6
Subordinated liabilities	2,624.5	1.4	2,542.2	1.4
Other sources	6,472.04	3.5	6,770.0	3.7

Source: mBank S.A. Group IFRS Consolidated Financial Statements 2021, mBank S.A. Group IFRS Condensed Consolidated Financial Statements for the first half of 2021."

- The sub-section entitled "Legal, Administrative and Arbitration Proceedings" on pages 196 to 199 of the Base Prospectus under the section entitled "Description of the Group" of the Base Prospectus is updated as follows.

  In the sub-section entitled "*Class action against mBank S.A. concerning indexation clauses*" the last sentence on page 198 of the Base Prospectus is deleted and replaced with the following text:

  "As of 31 December 2021, the total value of claims in this class action amounted to PLN 377 million.

  On 9 February 2022, the District Court in Łódź issued a judgment favourable to mBank and dismissed the demands of the group of 1,731 persons in their entirety. In the court's opinion, the indexation clause was individually agreed. The indexation clause is therefore neither abusive nor invalid. The court found that the exchange rate clause regarding the loan repayment (reference to the bank's selling rate) is abusive. After the elimination of this clause, the contract may still be performed – loan repayments may be made in CHF. This judgment is not final. The Municipal Consumer Ombudsman representing the borrowers may appeal against this judgment."

- The description in the sub-section entitled "*Individual court proceedings concerning indexation clauses to CHF*" on page 198 of the Base Prospectus is deleted and replaced by the following:

  "Apart from the class action proceeding, there are also individual court proceedings initiated against the Bank by its customers in connection with CHF loan agreements. As of 31 December 2021, 13,373 individual court proceedings (31 December 2020: 7,508 proceedings) were initiated against the Bank by its customers in connection with CHF loan agreements, with the total value of claims amounting to PLN 3,506.5 million (31 December 2020: PLN 1,454.2 million).

  Out of the individual proceedings, 13,036 proceedings (31 December 2020: 6,870 proceedings) with the total value of claims amounting to PLN 3,499.9 million (31 December 2020: PLN 1,442.2 million) were related to indexation clauses in CHF loan agreements. They include claims for declaring ineffectiveness or invalidity in part (i.e. to the extent that the agreement contains contractual provisions related to indexation) or invalidity in whole of the loan agreements.

  The carrying amount of mortgage and housing loans granted by the Issuer to individual customers in CHF as of 31 December 2021 amounted to PLN 9.1 billion (i.e. CHF 2.0 billion) compared with PLN 12.3 billion (i.e. CHF 2.9 billion) as of the end of 2020. Additionally, the volume of the portfolio of loans granted in CHF that were already fully repaid as of 31 December 2021 amounted to PLN 7.3 billion (31 December 2020: PLN 6.8 billion)".

Market and Legal Environment

- The sub-section entitled "The Polish Economy" in the section entitled "Market and Legal Environment" on pages from 205 to 207 of the Base Prospectus is deleted and replaced by the following;

  "***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. Poland, with 38.4 million residents, remains the largest accession member of the EU and the sixth largest EU country by population.

The Polish economy's strength is underpinned by the following factors:

- the private debt of non-financial enterprises and households is relatively low;
- the currency regime in Poland is flexible;
- Poland's exports and economy do not depend on a single sector and the domestic market is broad;
- the Polish banking sector remains well-capitalised, liquid and profitable; and
- the macroeconomic policy is geared towards maintaining long-term, high and sustainable growth.

Since joining the EU in 2004, Poland has benefited significantly from EU structural funds, allowing the government to invest in infrastructural and social development. Adjustments to the EU standards have supported the country's modernisation.

According to preliminary estimates the Polish economy grew by 5.8 per cent. in 2021. Private consumption increased by 7 per cent. year-on-year and investment outlays by 6.8 per cent. Poland's GDP surpassed the pre-pandemic levels. Even though the pre-pandemic trend has not yet been reached, the pace of recovery remains the fastest in the region.

Strong GDP growth allowed for tightening in the labour market manifested in employment increase, spectacular wage increases and falling unemployment. The unemployment rate decreased to 5.4 per cent. in December 2021 from 6.2 per cent. in December 2020. The unemployment rate in Poland is well below the EU average. According to Eurostat, which uses a its own methodology, the seasonally adjusted unemployment rate in Poland in December 2021 reached 2.9 per cent. compared with 6.4 per cent. in the European Union (EU-27) and 7.0 per cent. in the Eurozone.

	2016	**2017**	**2018**	**2019**	**2020**	**2021**
GDP growth (YoY).........................	3.1	4.8	5.4	4.7	-2.7	5.8
Domestic demand (YoY)	2.3	4.9	5.6	3.5	-3.3	8.2
Private consumption (YoY)	3.9	4.8	4.3	4.0	-3.0	7.0
Investment (YoY)	-8.2	4.0	9.4	7.2	-8.4	6.8
Exports growth (GUS, YoY)...........	6.7	8.2	6.1	4.4	1.0	N/A
Imports growth (GUS, YoY)...........	6.4	10.5	7.1	3.0	0.2	N/A
Current account balance / GDP.......	-0.8	-0.3	-1.3	0.5	2.9	N/A
Inflation (Dec./Dec.).......................	0.8	2.1	1.1	3.4	2.4	8.6
Unemployment rate (eop)	8.2	6.6	5.9	5.2	6.2	5.4
MPC rate (eop)	1.50	1.50	1.50	1.50	0.10	1.75
WIBOR 3M (eop)...........................	1.73	1.72	1.72	1.71	0.21	2.54
EUR/PLN (eop)	4.4240	4.1709	4.3000	4.2585	4.6148	4.5994
CHF/PLN (eop)	4.1173	3.5672	3.8166	3.9213	4.2641	4.4484
USD/PLN (eop)	4.1793	3.4813	3.7597	3.7977	3.7584	4.0600

Source: Central Statistical Office of Poland (Główny Urząd Statystyczny, "GUS"), NBP, GPW.

Poland's monetary policy framework is laid out in the Constitution and the Act on the National Bank of Poland. The NBP is responsible for the implementation of the monetary policy, the basic objective of which is to maintain price stability while supporting the government's economic policy. For nearly 20 years, the Monetary Policy Council (MPC) has been conducting monetary policy with a direct inflation targeting strategy. In 2004, the MPC adopted an inflation target of 2.5 per cent. with a symmetrical tolerance band for deviations of ± 1 per cent. The principles of the monetary policy strategy and the inflation target level remain unchanged.

Inflation in Poland increased from 2.4 per cent. in December 2020 to 8.6 per cent. in December 2021. Average inflation in 2021 was 5.1 per cent. Base inflation, after eliminating food and energy prices, stood at 5.7 per cent. in December 2021 compared with 3.7 per cent. at the end of 2020.

The Harmonised Index of Consumer Prices (HICP) in Poland, which is computed by Member States of the European Union according to a uniform methodology, reached 8.0 per cent. on an annual basis in December 2021 and it was higher than the average level recorded in the EU. The average HICP index stood at 5.6 per cent. in the European Union (EU -27) and 5.1 per cent. in the Eurozone.

The growth of inflation in 2021 was to a significant extent the effect of supply-side and global factors – higher prices of natural gas, coal, oil and food prices as well as disruptions in supply chains due the COVID-19 pandemic. In response to high inflation the MPC raised the reference interest rate from 0.1 per cent. in October 2021 to 1.75 per cent. at the end of 2021. On 4 January 2022 the MPC raised the reference rate by 0.5 per cent. and on 8 February 2022 by 0.5 per cent. to 2.75 per cent.

In 2021, the National Bank of Poland abandoned structural operations (purchase of bonds). Their volume was initially very limited and finally brought to zero (they can be revived any time depending on the situation, but regular auctions were abandoned). Accelerating inflation and low interest rates caused the PLN to stay weak for most of the year. On top of this, there were also temporary factors that additionally fuelled depreciation pressure: tensions on Poland's eastern border, the conflict between the European Union's institutions and the Polish government on the rule of law in Poland and the lack of the European Commission's acceptance of the National Development Plan (*in Polish*: Krajowy Plan Odbudowy). Bond yields rose significantly in 2021. The bulk of repricing happened just after unexpectedly hiked rates.

In 2022, lower GDP growth (est. 4.1 per cent.) will be accompanied by higher inflation. Consumption growth will slow down, but investment activity is expected to increase. Since the beginning of 2022, the new tax code was implemented (Polish Deal). The changes are beneficial for the majority of tax-payers. Due to high inflation, the government decided to implement anti-inflation shields to curb price increases of energy, fuels, food and fertilisers. Direct transfers to least wealthy households were introduced as well. Those measures increase the real disposable income of consumers. In 2022, the first effects of the NBP interest rate increases will appear (negative for GDP growth, but also lowering inflation) and the cycle of interest rate increases will continue."

- The sub-section entitled "*Financial Situation of the Polish Banking Sector*" in the section entitled "Market and Legal Environment" on pages from 209 to 213 of the Base Prospectus is deleted and replaced by the following:

"***Financial Situation of the Polish Banking Sector***

Poland's banking sector has a high income-generating capacity. It is well-capitalised and predominantly deposit-funded. However, the Polish banking industry operates in a challenging market environment. Currently, the following factors impact the operations of the banking sector in Poland:

- interest rate environment – in response to soaring inflation (8.6 per cent. in December 2021), the Monetary Policy Council raised the reference interest rate from 0.1 per cent. in October 2021 to 1.75 per cent. at the end of 2021 in three rate hikes: 0.4 per cent. on 6 October, 0.75 per cent. on 3 November and 0.50 per cent. on 8 December 2021. On 4 January 2022 the Monetary Policy Council raised the reference rate by 0.5 per cent. and on 8 February 2022 by 0.5 per cent. to 2.75 per cent.. Further interest rate hikes are very likely;

- caps on interest and non-interest costs that may be charged by lenders in connection with consumer loan agreements;

- 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;

- a tax on certain financial institutions (the "banking tax") introduced in February 2016 in the amount of 0.44 per cent. of assets (excluding state bonds, own funds and a PLN 4 billon tax-free amount) annually;

- BGF charges – the charge for the deposits guarantee fund is based on the level of guaranteed deposits (the majority of retail deposits), while the charge for the resolution fund is based on the level of total assets, excluding own funds and guaranteed deposits – both percentage rates in Poland are higher than the EU requirements; strict regulatory requirements, putting pressure on capital, costs and operations;

- rapidly growing provisions for legal risks related to mortgage loans in foreign currency and the processes of concluding settlements with borrowers initiated by some banks in order to settle out-of-court disputes arising from the conversion clauses in CHF mortgage loans,

- 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; and

- increasing role of non-financial sector players (FinTech companies) gradually entering traditional banking territories and offering innovative financial solutions. The Payment Services Directive 2 abolished banks' monopoly in the market for payment services.

According to the KNF data published in February 2022, in the year ended 31 December 2021 the banking sector generated a net profit in the amount of PLN 14,988 million compared with a net loss of PLN 322 million generated in the year ended 31 December 2020. This significant improvement, amid favourable macroeconomic environment, was mainly due to:

- higher net fee and commission income as well as trading and other income; and
- a decrease in loan loss provisions and provisions for legal risk related to foreign currency loans.

Total net operating income of banks in the year ended 31 December 2021 increased by 10.0 per cent. year-on-year. Net interest income decreased by 1.2 per cent. year-on-year. Net fees and commission income recorded an increase of 15.3 per cent. year-on-year, mainly due to the larger number of transactions performed by customers and the changes in fee and commission tariffs.

In the year ended 31 December 2021, banks increased total costs by 2.0 per cent. compared with the year ended 31 December 2020 mainly as a result of higher staff expenses and depreciation.

As a result, in 2021 the banking sector's cost-to-income ratio (including banking tax) reached 58.8 per cent., compared with 58.1 per cent. in the year ended 31 December 2020.

In the year ended 31 December 2021, net ROE of the banking sector stood at 4.1 per cent., compared with -0.1 per cent. in 2020.

The table below shows the financial results of the Polish banking sector:

	For the year ended 31 December (in PLN million)			**Change (per cent.)**	
	2021	**2020**	**2019**	**2021/2020**	**2020/2019**
Total net operating income	68,160	61,964	70,627	10.0%	-12.3%
Total costs (incl. depreciation)..................	(40,101)	(39,300)	(39,247)	2.0%	0.1%
Total loan loss provisions	(6,913)	(13,348)	(9,566)	-48.2%	39.5%
Profit before income tax...........................	14,988	3,761	19,317	298.5%	-80.5%
Net profit	8,849	(322)	13,806	+/-	+/-

	For the year ended 31 December (per cent.)		
	2021	**2020**	**2019**
Cost/income ratio.....................................	58.8	58.1	55.6
Return on Equity (net ROE)......................	4.1	-0.1	6.7
Return on Assets (net ROA)	0.36	-0.01	0.70
Cost of Risk (CoR)	0.50	0.98	0.73
Loan-to-Deposit ratio (L/D)	76.5	79.2	90.2

Source: mBank calculation based on KNF data.

At the end of 2021 total assets of the Polish banking sector amounted to PLN 2,573 billion and increased by 9.5 per cent. compared with the end of 2020. In the year ended 31 December 2021, total net loans increased by 6.5 per cent., while deposits of the non-financial sector increased by 10.2 per cent. year-on-year.

	As of 31 December (in PLN billion)			**Change (per cent.)**	
	2021	**2020**	**2019**	**2021/2020**	**2020/2019**
Polish banks' aggregate assets	2 572.9	2 350.0	2 000	9.5%	17.5%
Total liabilities	2 370.4	2 130.4	1 791	11.3%	19.0%
Total equity	202.5	219.7	209	-7.8%	4.9%

Source: KNF.

The table below presents dynamics of key banking aggregates of the Polish banking sector.

	For the year ended 31 December (per cent.)		
	2021	2020	2019
Corporate loans	3.9	-4.8	3.0
Household loans	4.9	3.0	6.0
Mortgage loans, incl.	7.1	7.3	6.6
Mortgage loans in PLN	12.0	9.7	12.1
Non-mortgage loans	1.1	-3.8	5.1
Corporate deposits	10.4	19.0	10.0
Household deposits	6.7	10.7	9.7

Source: mBank own calculations based on NBP data.

According to NBP data, in the year ended 31 December 2021, the nominal volume of household loans increased by 4.9 per cent. compared with the year ended 31 December 2020. Mortgage housing loans increased by 7.1 per cent. compared with the year ended 31 December 2020. CHF mortgage loans decreased by 5.6 per cent. in 2021. Non-mortgage loans to retail customers increased by 3.9 per cent. year-on-year after a drop recorded in 2020.

The NPL ratio as of 31 December 2021 stood at 5.7 per cent.: 5.0 per cent. for households and 7.3 per cent. for corporate clients (Source: NBP data). 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 and recommends a repayment period no longer than 25 years for retail customers. 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.

Growth in deposits slowed down across all segments in 2021. A high deposits growth in 2020 was caused by inflows of funds paid out to companies under anti-crisis shields and additionally by the effect of the accumulation of savings in anticipation of a worsening economic environment.

In the year ended 31 December 2021, household deposits increased by 6.7 per cent. compared with 2020. Corporate deposits increased by 10.4 per cent. year-on-year, mirroring good liquidity in the enterprise sector.

Banks in Poland are well-capitalised. The average total capital ratio (compliant with the CRD IV/CRR Regulation approach) as of 30 September 2021 stood at 20.0 per cent. and Tier 1 capital ratio stood at 18.0 per cent. (Source: KNF data).

Prospects for profits of the banking sector in 2022 are promising. The deposit base of corporate clients is high and unlikely to be reversed. Lending to corporate entities is expected to accelerate (including investment loans). Growth of retail deposits moderated in 2021, but it seems to be only a temporary setback. The outstanding volume of retail loans picked up substantially in 2021. In 2022, growth rates are expected to settle at somewhat lower levels.

In 2022, Polish banks will benefit from economic growth and interest rate hikes. Net interest income is likely to increase significantly due to higher net interest margins. Fee and commission income will be supported by a growing scale of operations and adjustments in the tariffs of banking fees and commissions. The costs are expected to increase year-on-year due to inflationary pressures, wage demands and increased contributions to the deposit guarantee fund and the resolution fund. Cost of risk in 2022 may be somewhat affected by increased loan instalments after interest rates hikes, but historical data show that there is no significant link between cost of risk and the level of interest rates.

The banking sector still faces significant risks to its profitability as a result of costs associated with mortgage loans in foreign currencies. Banks have been losing the majority of litigations with CHF borrowers since the judgment of the European Court of Justice on 3 October 2019. Some lenders are in the process of concluding settlements with borrowers in order to settle out-of-court disputes arising from the conversion clauses contained in CHF mortgage loans. It is the response to the proposal issued by the Chairman of the KNF to convert FX loans in CHF to PLN loans on a voluntary basis. According to the Financial Stability Report published by the National Bank of Poland in December 2021, the legal risk of FX mortgages remains the main risk to domestic financial stability, but the probability of materialisation of court decisions in FX mortgage cases, which can be most costly for banks, has diminished.

In the coming years, the banking sector will face the challenge of providing own funds and/or eligible liabilities to meet the MREL, which will become fully effective from 2024. According to NBP estimates, a significant part of the sector does not have sufficient excess capital to cover the MREL at the target level. It seems that meeting the MREL will require the issuance of either equity or redeemable/convertible debt instruments on a scale far greater than that observed over the recent years.

The COVID-19 pandemic accelerated the process of reshaping the banking industry, ushering in a new competitive landscape, stifling growth in some traditional product areas, prompting a new wave of innovation, recasting the role of branches, and accelerating digitisation in many spheres of banking and capital markets. The COVID-19 pandemic has acted as a catalyst for digitisation. In addition to accelerating digital adoption, the crisis has also served as a litmus test for banks' digital infrastructure. Investments in digitisation and more process automation leading to cost savings and better cross-selling opportunities may prove key in gaining a competitive advantage in a post-coronavirus world."

General Description of the Bank

- In the sub-section entitled "Management and Supervisory Board Authorities" under the section entitled "General Description of the Bank" of the Base Prospectus the following part is added on page 232 of the Base Prospectus after the paragraph "On 24 March 2021, Arno Walter was appointed as the member of the Supervisory Board of mBank as of 25 March 2021, until the end of the current term of the Supervisory Board" and the following pages should be renumbered accordingly:

  "On 27 August 2021, Agnieszka Słomka-Gołębiowska, Chairwoman of the Bank's Supervisory Board, and Cezary Stypułkowski, President of the Bank's Management Board, received a letter of resignation from Jörg Hessenmüller, who decided to resign as member of the Bank's Supervisory Board and member of the Audit Committee, the Executive and Nomination Committee, the IT Committee as well as the Remuneration Committee of the Bank's Supervisory Board with effect from 30 September 2021.

  On 25 October 2021 the Bank's Supervisory Board appointed Dr Armin Barthel as the member of the Supervisory Board of mBank until the end of the current term of the Supervisory Board.

  Since April 2016 Dr Barthel has been a Divisional Board Member as the Group Chief Compliance Officer and Anti-Money Laundering Officer of Commerzbank AG responsible for all compliance units of the Commerzbank group, including its foreign branches and subsidiaries. After studying law in Marburg and Great Britain as well as legal clerkship and doctorate (PhD) in Hamburg, Dr Armin Barthel began his career in 2003 in the Frankfurt office of Hengeler Mueller. In 2005, he joined the legal department of Commerzbank AG Frankfurt, where he held various positions, most recently as General Counsel in the New York branch of Commerzbank since 2012."

- The table in the section entitled "Basic Information" on pages 232-233 of the Base Prospectus is deleted and replaced by the following:

Name	Age	Position	Date on which the current term began	Expiration of the term of office
Agnieszka Słomka-Gołębiowska	46	Chairwoman of the Supervisory Board (independent member)	27 March 2020	On the date of the AGM in 2023
Bettina Orlopp	52	Deputy Chairwoman of the Supervisory Board	27 March 2020	On the date of the AGM in 2023
Armin Barthel	49	Member of the Supervisory Board	25 October 2021	On the date of the AGM in 2023
Tomasz Bieske	67	Member of the Supervisory Board (independent member)	27 March 2020	On the date of the AGM in 2023
Marcus Chromik	49	Member of the Supervisory Board	27 March 2020	On the date of the AGM in 2023
Mirosław Godlewski	55	Member of the Supervisory Board (independent member)	27 March 2020	On the date of the AGM in 2023
Aleksandra Gren	50	Member of the Supervisory Board (independent member)	27 March 2020	On the date of the AGM in 2023

Name	Age	Position	Date on which the current term began	Expiration of the term of office
Arno Walter	55	Member of the Supervisory Board	25 March 2021	On the date of the AGM in 2023

The composition of the committees of the Supervisory Board described in the paragraph entitled "Standing Committees of the Supervisory Board" of the section entitled "Management and Supervisory Board Authorities" on pages 231 and 232 of the Base Prospectus is deleted and replaced by the following:

- "The Executive and Nomination Committee is composed of: Professor Agnieszka Słomka-Gołębiowska (Chairwoman), Dr Marcus Chromik and Dr Bettina Orlopp;
- The Audit Committee is composed of: Tomasz Bieske (Chairman), Aleksandra Gren and Dr Armin Barthel;
- The Risk Committee is composed of: Dr Marcus Chromik (Chairman), Mirosław Godlewski, Dr Bettina Orlopp and Professor Agnieszka Słomka-Gołębiowska;
- The Remuneration Committee is composed of: Dr Bettina Orlopp (Chairwoman), Tomasz Bieske, Mirosław Godlewski and Dr Marcus Chromik; and
- The IT Committee is composed of: Aleksandra Gren (Chairwoman), Mirosław Godlewski and Dr Marcus Chromik."

<u>Taxation</u>

- The sub-section entitled "Poland" on pages 241 to 249 of the Base Prospectus in the section entitled "Taxation" of the Base Prospectus shall be updated as follows.

The second paragraph of the sub-section entitled "*Withholding tax on interest (including discount) income*" of the section entitled "*Taxation of Polish tax resident individuals (natural persons)*" on page 245 of the Base Prospectus is updated and replaced by the following:

"If a natural person being a Polish tax resident holds the Notes as a business asset, then in principle the interest should not be subject to withholding tax but would be taxed in the same way as other business income. The tax, at the flat rate of 19 per cent. flat rate or the progressive rate of 17 per cent. to 32 per cent. (with a tax free amount of PLN 30,000), depending on the choice of and certain conditions being met by the individual, should be settled by the individual themselves. Furthermore, business incomes are subject to 4 per cent solidarity tax on the surplus of various incomes above PLN 1 million."

The first paragraph of the sub-section entitled "*Capital gains from disposal of the Notes*" of the section entitled "*Taxation of Polish tax resident individuals (natural persons)*" on page 245 of the Base Prospectus is deleted and replaced with the following:

"Under Article 30b clauses 1 and 5 of the PIT Act, income from a disposal of securities, including the Notes, for remuneration is subject to the 19 per cent. flat rate tax (with a stipulation regarding Notes held as a business asset – see the paragraph below). The tax should be calculated on the total amount of income from the disposal of securities for remuneration, i.e. including the Notes and other securities (if any), in the relevant tax year. In general, the income is calculated as the difference between the sum of revenues earned from the disposal of securities for remuneration and the tax-deductible costs. Furthermore, capital gains are subject to 4 per cent solidarity tax on the surplus of various incomes above PLN 1m."

The second paragraph of the sub-section entitled "*Capital gains from disposal of the Notes*" of the section entitled "*Taxation of Polish tax resident individuals (natural persons)*" on page 245 of the Base Prospectus is deleted and replaced with the following:

"In principle, if individuals hold Notes as a business asset, the income should be taxed in the same way as other business income. This will either be taxed at the flat rate of 19 per cent., or progressive rates of 17 per cent. to 32 per cent. (with a tax free amount of PLN 30,000), depending on the individual's choice and certain conditions being met. Furthermore, business incomes are subject to 4 per cent solidarity tax on the surplus of various incomes above PLN 1 million."

The second bullet in the section entitled "*Notes held by a non-Polish tax resident individual or corporate*" on page 247 of the Base Prospectus is updated and deleted with the following:

"corporate income taxpayers, if they do not have their registered office or place of management in the Republic of Poland (Article 3 clause 2 of the CIT Act). Under Article 3 clause 1a of the CIT Act, a taxpayer is considered to have its management in the Republic of Poland also when the ongoing business of that taxpayer is conducted in an organised and continuous manner in the Republic of Poland on the basis of, in particular: 1) an agreement, a decision, a court ruling or any other document regulating the establishment or functioning of that taxpayer; or 2) granted powers of attorney; or 3) relationships within the meaning of Article 11a clause 1 point 5 of the CIT Act."

The third paragraph of the sub-section entitled *"Withholding tax exemption"* in the section entitled *"Notes held by a non-Polish tax resident individual or corporate"* on page 248 of the Base Prospectus is updated and deleted with the following:

"However, if the above withholding tax exemption conditions are not met, withholding tax at 20 per cent under Article 21 clause 1 of the CIT Act or at 19 per cent under Article 30a clause of the PIT Act should, in principle, apply to any interest and discount. This is subject to exemptions and reduced withholding tax rates under the relevant double tax treaties and in accordance with the withholding tax 'pay & refund' mechanism applicable to payments between affiliated entities (the "Pay&Refund regime"). For details of withholding tax settlements, please see "Tax remitter's obligation".

The second paragraph of the sub-section entitled "*Withholding tax exempt regime*" in the section entitled "*Tax remitter's obligations*" on page 248 of the Base Prospectus is deleted and replaced with the following:

"Non-assessment of the tax occurs subject to the Issuer filing a statement with the tax authority that it has exercised due diligence in informing its affiliates in the meaning of Article 23m clause 1 point 4 of the PIT Act or Article 11a clause 1 point 4 of the CIT Act about the conditions of the withholding tax exemption referred to in Article 21 clause 1 point 130c) of the PIT Act and Article 17 clause 1 point 50c) of the CIT Act, with respect to such affiliates. The first sentence does not apply to the State Treasury being an issuer of bonds."

The sixth paragraph of the sub-section entitled "*Withholding tax exempt regime* in the section entitled "*Tax remitter's obligations*" on page 248 of the Base Prospectus is deleted and replaced by the following:

"Under Article 41 clause 4aa of the PIT Act, when verifying the conditions for applying a reduced withholding tax rate, an exemption or the conditions for non-collection of tax resulting from special provisions or double tax treaties, the tax remitter must exercise due diligence. When assessing the exercise of due diligence, the nature and scale of activity conducted by the remitter must be taken into account, as well as any association between the remitter and the taxpayer within the meaning of Article 23m clause 1 point 5 of the PIT Act."

The last paragraph of the sub-section entitled "*Withholding tax exempt regime*" in the section entitled "*Tax remitter's obligations*" on page 248 of the Base Prospectus is deleted and replaced by the following:

"Furthermore, under Article 41 clause 12 of the PIT Act, in the case of qualified payments between affiliated entities (including interest and discounts on the Notes) exceeding a total of PLN 2 million in the relevant tax year, made to a single taxpayer being an associated entity with the tax remitter (within the meaning of Article 23m clause 1 point 4 of the PIT Act), the Pay&Refund regime will apply (please see "*Pay&Refund regime*" below). Under Article 41 clause 4da of the PIT Act, the Issuer is obliged to provide the securities account holder with the information on the its affiliation with the Noteholder. "

The sub-section entitled "*Tax remitter's obligations under the CIT Act where the withholding tax exempt regime and the withholding tax exemption are not applicable*" in the section entitled "*Tax remitter's obligations*" on page 248 of the Base Prospectus is deleted and replaced by the following:

"Under Article 26 clause 1 of the CIT Act, legal persons that disburse the amounts specified in Article 21 clause 1 of that act, including interest and discounts on the Notes, are obliged, as tax remitters, subject to clauses 2, 2b and 2e of Article 26 of the CIT Act, to collect lump-sum income tax on those disbursements on the day they are made. When verifying the conditions for applying a withholding tax rate, an exemption or the conditions for the non-collection of tax resulting from special provisions or double tax treaties, the remitter must exercise due diligence. When assessing the exercise of due diligence, the nature and scale of activity conducted by the remitter must be taken into account, as well as any associations between the tax remitter and the taxpayer within the meaning of Article 11a clause 2 point 5 of the CIT Act.

Under Article 26 clause 2c of the CIT Act, in the case of payments of interest on securities recorded in securities accounts or omnibus accounts paid out to non-Polish tax residents, the obligation to collect and pay withholding tax referred to in Article 26 clause 1 of the CIT Act applies to entities operating securities accounts or omnibus accounts, if the payment takes place through the intermediary of these entities. This obligation also applies to payments made to entities that are not Polish tax residents, but which carry out economic activity through a foreign establishment situated in Poland, if the account in which the securities are recorded is related to the activity of this establishment.

In the case mentioned in Article 26 section 2c of the CIT Act, the entities making the payments via securities accounts or omnibus accounts are obliged to provide the entities operating these accounts with information on the existence of the associations within the meaning of Article 11a clause 1 point 5 of the CIT Act between them and the taxpayer and exceeding the amount referred to in Article 26 clause 2e of the CIT Act (PLN 2 million) at least seven days prior to making the payment. The entities providing this information are obliged to update it before making the payment in the event of any change in the circumstances covered by the information.

However, a non-Polish entity operating a securities account will not be obliged to withhold income tax as, under the established practice of the Polish tax authorities, foreign entities cannot act as Polish withholding tax remitters.

Under Article 26 clause 2e of the CIT Act, in the case of qualified payments between affiliated entities (including interest and discounts on the Notes) exceeding PLN 2 million in total in the relevant tax year made to a single taxpayer being an associated entity with the tax remitter (within the meaning of Article 11a clause 1 point 4 of the CIT Act), the Pay&Refund regime applies (please see "*Pay&Refund regime*" below). Under Article 26 clause 2ca of the CIT Act, in case of making payment through a securities account, the Issuer is obliged to provide the securities account holder with the information on its affiliation with the Noteholder."

The sub-section entitled "*Gross-up obligation*" in the section entitled "*Tax remitter's obligations*" on page 248 of the Base Prospectus is deleted and replaced by the following:

"If a withholding or deduction of tax is required by law, the Issuer must pay additional amounts as necessary for the net amounts received by the holders of the Notes or Coupons after such withholding or deduction to be equal to the respective amounts of the principal and interest that the holder of the Notes or Coupons would have received had no such withholding or deduction been required."

The second paragraph of sub-section entitled "*Obligations of the Noteholders*" in the section entitled "*Tax remitter's obligations*" on page 248 of the Base Prospectus is deleted and replaced by the following:

"The obligation to settle tax is transferred to the holder of the Notes, including if the tax was not withheld by the tax remitter due to applying the withholding tax exempt regime (Article 41 clause 24 point 2) of the PIT Act and Article 26 clause 1aa point 2) of the CIT Act."

The sub-section entitled "*Pay&Refund regime*" in the section entitled "*Tax remitter's obligations*" on page 247 and 248 of the Base Prospectus is deleted and replaced by the following:

"Under the Pay&Refund regime, which is in force as of 1 January 2022, generally, if the total amount of payments to a single taxpayer being an associated entity with the tax remitter (within the meaning of Article 23m clause 1 point 4 of the PIT Act or Article 11a clause 1 point 4 of the CIT Act) in the relevant tax year exceeds PLN 2 million, then the tax remitter will be obliged to collect withholding tax on the disbursements on the day they are made, at the standard Polish rates (i.e. 19 per cent. in the case of individuals, or 20 per cent. in the case of legal persons) applicable to interest on the surplus over PLN 2 million without the possibility of not collecting the tax under the relevant double tax treaty, and without taking into account any exemptions or reduced rates as determined under special provisions or double tax treaties. In this case, the taxpayer or the tax remitter (if the tax remitter paid the withholding tax from its own funds and it bore the economic burden of withholding tax) may claim a withholding tax refund. Under special provisions, withholding tax may not be collected by the tax remitter if it specifically states that: (i) it holds all the documents necessary to apply a withholding tax exemption (including the certificate of tax residence and a statement on beneficiary owner status); and (ii) after verification, it is not aware of any obstacles to the application of a withholding tax exemption (basically that the recipient passes the beneficial ownership test). The Pay&Refund regime applies only to the taxpayers not being Polish tax residents.

In the case referred to in Article 41 clause 4d of the PIT Act and Article 26 clause 2c of CIT Act, an entity that operates securities accounts or omnibus accounts is obliged to determine any excess amount over PLN 2 million and the existence of any associations within the meaning of Article 23m clause 1 point 4 of the PIT Act or Article 11a clause 1 point 4 of the CIT Act. The entity operating the securities accounts or omnibus accounts does not take into account the payments on which tax was collected pursuant to Article 30a clause 2a of the PIT Act and Article 26 clause 2a of the CIT Act.

"Beneficial owner" means an entity that meets jointly the following conditions:

- receives the amount due for its own benefit, freely decides on the designation thereof and bears the economic risk associated with the loss of the amount due or part thereof;
- is not an intermediary, representative, trustee or other entity obliged to transfer the amount due, or any part thereof, to another entity; and
- conducts genuine economic activity in the country of its registered office; if the payments are received with reference to this economic activity, in assessing whether the entity conducts a genuine economic activity, the nature and scale of the entity's activities with respect to the payment received should be taken into account.

Please note that the Pay&Refund regime was first introduced on 1 July 2019 and was suspended several times. On 1 January 2022, the Pay&Refund regime finally entered into force after significant amendments."

After the sub-section entitled "European Union Directives on Administrative Co-operation in the Field of Taxation and the Taxation of Savings Income " in the sub-section entitled "Poland" and before the sub-section entitled "Withholding Tax" on page 249 of the Base Prospectus the new paragraph is added as follows:

"For the purpose of the sub-section "Poland" in the section entitled "Taxation":

"Affiliated entities" shall mean:

(a) entities of which one entity exercises a significant influence on at least one other entity; or

(b) entities on which a significant influence is exercised by: (A) the same other entity or (B) the spouse or a relative by consanguinity or affinity up to the second degree of a natural person exercising a significant influence on at least one entity, or

(c) a partnership without legal personality and its partners (partner), or

(d) limited partnerships and limited joint-stock partnership with their registered office or management in the territory of the Republic of Poland and its general partner; or

(e) (specific general partnerships with their registered office or management in the territory of the Republic of Poland and its partner; or

(f) a taxable person and their foreign establishment, and in the case of a tax capital group - a company being its part and its foreign establishment; and

"The exercise of a significant influence" shall mean holding directly or indirectly at least 25 per cent. of:

(a) shares in the capital or

(b) voting rights in the supervisory, decision-making or managing bodies, or

(c) shares in or rights to participate in the profits, losses or the property or their expectative, including participation units and investment certificates, or

(d) the actual ability of a natural person to influence key economic decisions taken by a legal person or an organisational unit without legal personality, or

(e) being the spouse or a relative by consanguinity or by affinity up to the second degree."

In the sub-section entitled "Austria" on pages 249 to 253 of the Base Prospectus in the section entitled "Taxation" of the Base Prospectus the following final sentence of the first paragraph under "3. Individuals": "There will be no more withholding tax credits upon the purchase of Notes" is deleted.

The sub-section entitled "The Netherlands" on pages 256 to 257 of the Base Prospectus in the section entitled "Taxation" of the Base Prospectus is deleted and replaced by the following:

"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. Noteholders or prospective holders of Notes should consult with their tax advisers with regard to the tax consequences of the acquisition, holding and disposal of 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, published regulations and published authoritative case law, whereby "Dutch" or the "Netherlands" refers only to the part of the Kingdom of the Netherlands located in Europe, all as in effect on the date hereof and 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) a holder of Notes if such holder has a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer under the Dutch Personal Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally, 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 an individual, together with such holder's partner for Dutch income tax purposes, or any relatives by blood or marriage in the direct line (including foster children), 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 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*), tax exempt investment institutions (vrijgestelde beleggingsinstellingen) (each 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) a holder of Notes if such holder is an individual for whom the Notes or any benefit derived from the Notes is a remuneration or deemed to be a remuneration for activities performed by such holder or certain individuals related to such holder (as defined in the Dutch Personal Income Tax Act 2001).

3.1 Corporate Dutch resident taxpayers

Generally speaking, if the holder of Notes is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes, any income derived from the Notes or any capital gains realised on the disposal or deemed disposal of the Notes is subject to Dutch corporate income tax at a rate of 15 per cent. with respect to taxable profits up to EUR 395,000 and 25.8 per cent. with respect to taxable profits in excess of that amount (rates and brackets for 2022).

3.2 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 income derived or deemed to be derived from the Notes or any capital gain realised on the disposal or deemed disposal of the Notes is taxable at the progressive Dutch personal income tax rates (with a maximum of 49.5 per cent. in 2022), if:

(i) 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 tot het vermogen*) of such enterprise, without being a shareholder (as defined in the Dutch Personal Income Tax Act 2001); or

(ii) the holder of Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or otherwise derives benefits from the Notes that are taxable as benefits from miscellaneous 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 return (with a maximum of 5.53 per cent. in 2022) under the regime for savings and investments *(inkomen uit sparen en beleggen*), insofar as his/her net investment assets for the year exceed a statutory threshold (*heffingvrij vermogen*). The deemed return on his/her net investment assets for the year is taxed at a personal income tax rate of 31 per cent. (rate for 2022). Actual income or capital gains realised in respect of the Notes are as such not subject to Dutch income tax.

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. For the net investment assets on 1 January 2022, the deemed return ranges from 1.82 per cent. up to 5.53 per cent. (depending on the aggregate amount of the net investment assets on 1 January 2022). The deemed return will be adjusted annually on the basis of historic market yields.

On 24 December 2021, the Dutch Supreme Court ruled that the Dutch income tax levy on savings and investments, in 2017 and 2018 violated the European Convention on Human Rights. The tax consequences of the Dutch Supreme Court are not immediately clear. The new Dutch Government intends to start calculating the taxation on savings and investments on actual returns realised from savings and investments (instead of on a deemed return) starting in 2025. The Supreme Court *ruling could make the Dutch Government move faster on the issue. Prospective investors should carefully consider the tax consequences of this Supreme Court ruling and consult their own tax adviser about their own tax situation.*"

General Information

- Point (b) in the first paragraph of the sub-section entitled "Documents Available" on page 264 of the Base Prospectus in the section entitled "General Information" of the Base Prospectus is deleted and replaced as follows:

  (b) "the audited consolidated financial statements of the Group in respect of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 (with an English translation thereof) and the separate independent registered auditor's report on the audit of consolidated financial statements of the Group in respect of the financial years ended 31 December 2021. The Issuer currently prepares audited consolidated and stand-alone financial statements on an annual basis as well as unaudited condensed consolidated and condensed stand-alone financial statements on a semi-annual basis and unaudited condensed financial statements on a quarterly basis".

- The sub-section entitled "Material Adverse Change" on page 265 of the Base Prospectus in the section entitled "General Information" of the Base Prospectus is deleted and replaced by the following:

  "**Material Adverse Change**

  There has been no significant change in the financial performance or trading position of the Issuer and the Group since 31 December 2021 and there has been no material adverse change in the prospects of the Issuer and the Group since 31 December 2021".

- The second paragraph in the sub-section entitled "Auditors" on page 265 of the Base Prospectus in the section entitled "General Information" of the Base Prospectus is deleted and replaced by the following:

  "The auditor's reports in respect of the financial statements for the years ended 31 December 2021, 31 December 2020, 31 December 2019 and 31 December 2018 (incorporated by reference) are incorporated herein in the form and context in which they appear".