BASE PROSPECTUS

Bank Zachodni WBK S.A.

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

EUR5,000,000,000

Euro Medium Term Note Programme

Under this EUR5,000,000,000 Euro Medium Term Note Programme (the **Programme**), Bank Zachodni WBK S.A. (the **Issuer** or the **Bank**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

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

This Base Prospectus has been approved by the Central Bank of Ireland (the **CBI**), as competent authority under Directive 2003/71/EC, as amended (the **Prospectus Directive**). The CBI only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (**EU**) law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the **Official List**) and to trading on its regulated market (the **Main Securities Market**). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**) and/or which are to be offered to the public in any member state of the European Economic Area. The Main Securities Market is a regulated market for the purposes of MiFID II. This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application may also be made to the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*, the **WSE**) for the Notes to be listed and admitted to trading on the regulated market of the WSE. The Bank may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Final Terms (as defined below) for each Tranche (as defined below) of Notes will state whether the Notes of such Tranche are to be (a) Senior Notes or (b) Subordinated Notes and, if Senior Notes, whether such notes are (i) Ordinary Senior Notes or (ii) Senior Non Preferred Notes and, if Subordinated Notes, whether such Notes are (i) Senior Subordinated Notes or (ii) Tier 2 Subordinated Notes.

As of the date of this Base Prospectus, the Issuer has been assigned a rating of BBB+ (stable) by Fitch Polska S.A. (**Fitch**) and A3 (positive) by Moody's Investors Service Ltd. (**Moody's**). Each credit rating agency is established in the European Economic Area (the **EEA**) and is registered under Regulation (EC) No 1060/2009, as amended (the **CRA Regulation**). Tranches of Notes (as defined in "*Terms and Conditions of the Notes*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms (as defined herein). Such rating will not necessarily be the same as the rating(s) assigned to the Issuer, the Programme or to Notes already issued.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

INVESTING IN NOTES ISSUED UNDER THE PROGRAMME INVOLVES CERTAIN RISKS. THE PRINCIPAL RISK FACTORS THAT MAY AFFECT THE ABILITIES OF THE ISSUER TO FULFIL THEIR RESPECTIVE OBLIGATIONS UNDER THE NOTES ARE DISCUSSED UNDER "RISK FACTORS" BELOW.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except in certain transactions exempt from the registration requirements of the Securities Act.

Arranger and Permanent Dealer

BANCO SANTANDER, S.A.

The date of this Base Prospectus is 28 August 2018.

IMPORTANT NOTICES

Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and any Final Terms and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

References herein to the "Base Prospectus" are to this document.

The Issuer has confirmed to the Arranger and Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the **Conditions**) as completed by a document specific to such Tranche called final terms (the **Final Terms**) or supplemented in a separate prospectus specific to such Tranche (the **Drawdown Prospectus**). In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed with any amendment or supplement thereto and with any other information incorporated by reference and, in relation to any Series (as defined below) of Notes, should be read and construed together with the relevant Final Terms.

Unauthorised information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, Arranger or any Dealer.

Neither the Arranger or the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the Securities Act and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

IMPORTANT – EEA RETAIL INVESTORS - If the applicable Final Terms (or Drawdown Prospectus as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

Programme limit

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into EUR at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

Third party information

Any information sourced from third parties contained in this Base Prospectus has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Language of the Base Prospectus

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain definitions

In this Base Prospectus, unless otherwise specified or the context otherwise requires, all references to a **Member State** are references to a Member State of the EEA, references to a **Relevant Member State** are to a Member State which has implemented the Prospectus Directive, references to the **Prospectus Directive** are to Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State, references to **US$**, **USD**, **dollars** or **US dollars** are to the lawful currency of the United States of America, references to **£**, **GBP** and **Pounds Sterling** are to the lawful currency of the United Kingdom, references to **€**, **EUR** or **euro** are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, and references to **PLN** or **Polish Zloty** are to Polish Złoty.

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

Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Benchmark Regulation

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates as specified in the relevant Final Terms. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the **Benchmark Regulation**). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

Stabilisation

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

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "Risk Factors", "Description of the Issuer" and other sections of this Base Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in Poland and the wider region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake; and
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;

Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

CONTENTS

Page

OVERVIEW OF THE PROGRAMME

The following overview is a general description of the Programme, must be read as an introduction to this Base Prospectus, and is qualified in its entirety by, the remainder of this Base Prospectus and in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in this overview unless otherwise defined herein.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.

Issuer:	Bank Zachodni WBK S.A.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.
Arranger:	Banco Santander, S.A.
Dealers:	Banco Santander, S.A. and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Issuing and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as completed by the relevant Final Terms or, as the case may be, as amended and/or replaced by the relevant Drawdown Prospectus.
Listing and Trading:	Application has been made to Euronext Dublin for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to trading on its regulated market. The Programme also permits Notes to be issued on the basis that they will be admitted to trading on the regulated market of the WSE or will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.
Clearing Systems:	Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg** and together with Euroclear, the **ICSDs**) and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to EUR5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with

the terms of the Dealer Agreement.

Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Forms of Notes:	Notes may be issued in bearer form or in registered form. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a **Classic Global Note** or **CGN**), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a **New Global Note** or **NGN**), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Each Tranche of Registered Notes will be in the form of either Individual Note Certificates or a Global Registered Note, in each case as specified in the relevant Final Terms. Each Tranche of Notes represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure (**New Safekeeping Structure** or **NSS**), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Security Identification Number(s): In respect of each Tranche of Notes, the relevant security identification number(s) will be specified in the relevant Final Terms.

Currencies: Notes may be denominated in euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status of the Notes: Notes may be either Senior Notes (in which case they will be Ordinary Senior Notes or Senior Non Preferred Notes) or Subordinated Notes (in which case they will be Senior Subordinated Notes or Tier 2 Subordinated Notes) as more fully described in Condition 4 (Status).

Issue Price: Notes may be issued at any price. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities: Any maturity of at least one year in the case of Senior Notes and Senior Subordinated Notes and a minimum maturity of five years in the case of Tier 2 Subordinated Notes, as indicated in the applicable Final Terms or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant competent authority or any applicable laws or regulations.

Redemption: Notes may be redeemable at the redemption amount specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. Early redemption will be permitted for taxation reasons or, in the case of Ordinary Senior Notes if so specified in the relevant Final Terms, following an Event of Default or, in the case of Senior Subordinated Notes and Senior Non Preferred Notes if so specified in the relevant Final Terms, the Ordinary Senior Notes, upon the occurrence of a MREL Disqualification Event, or, in the case of Tier 2 Subordinated Notes, upon the occurrence of a Capital Disqualification Event, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms.

Any early redemption of Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes eligible to comply with the Applicable MREL Regulations will be subject to the prior consent of the competent authorities (including relevant resolution authorities), to the extent required, in accordance with Applicable Banking Regulations.

Interest: Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

Denominations: Notes issued under the Programme which are to be admitted to trading on the Main Securities Market and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system which is a regulated market situated or operating in a Member State and/or offered to the public in any Member State, in each case in circumstances which require the publication of a prospectus under the Prospectus Directive and the implementing measures in the relevant Member State, may not have a minimum denomination of less than EUR100,000 (or its equivalent in any other currency). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 (*Covenants*).
Cross-Default:	The Notes will have the benefit of a cross-default as described in Condition 13 (*Events of Default*).
Taxation:	All payments of principal and interest in respect of Notes by or on behalf of the Issuer will be made free and clear of withholding taxes of the Republic of Poland, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 10 (*Payments - Bearer Notes*), Condition 11 (*Payments - Registered Notes*) and Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	The Notes and any non-contractual obligations arising out of in connection with the Notes will be governed by English law, except that Condition 4 (*Status*) and Condition 25 (*Recognition of the Polish bail-in power*) are governed by Polish law.
Ratings:	As of the date of this Base Prospectus, the Issuer has been assigned a rating of "BBB+" (stable) by Fitch and a rating of "A3" (positive) by Moody's. Each of Fitch and Moody's is established in the EU and registered under the CRA Regulation. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Issuer or to Notes already issued. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the EU and registered under the CRA Regulation will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Japan and the Republic of Poland, see "*Subscription and Sale*" below.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risks relating to the business and industry of the Issuer

The Group is exposed to various risks as a result of granting, financing and securing loans denominated in foreign currencies and, in particular, in CHF

The Bank and its consolidated subsidiaries (the **Group**) has significant exposure to foreign currency denominated loans (including a significant portfolio of retail mortgage loans denominated in CHF). The vast majority of retail customers who have mortgage loans denominated in foreign currencies earn their income in PLN. These customers are not usually protected against the fluctuations of the exchange rates of the PLN against the currency of the loan. Consequently, any depreciation of the PLN against a foreign currency in which the loan is denominated, which is not sufficiently compensated by a decrease in the relevant reference rate, or which is accompanied by an increase in interest rate, will result in an increase of the PLN value of repayments of principal and payments of interest by the Bank's customers (although this may be mitigated where there is a compensating decrease in the relevant reference rate, such as the CHF LIBOR rate) and in an increase of credit risk related to borrowers with loans in foreign currencies. A significant and prolonged depreciation of the PLN, which results in an increase of the PLN value of repayments of principal and payments of interest by the Bank's customers, may result in the Bank's customers experiencing difficulties in the repayment of the loans, which in turn may lead to a decrease in the quality of the Group's loan portfolio and an increase in impairment allowances on loans and advances, and may adversely affect the business, financial condition and results of operations of the Group. This consideration applies in particular to CHF-denominated loans, which constituted 9.87 per cent. of the Group's total net loans and advances as of 31 December 2017 (compared to 12.89 per cent. as of 31 December 2016, although this decrease is mainly a result of exchange rates fluctuations).

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

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

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

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

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

On 15 January 2015, the Swiss National Bank (the **SNB**) decided to discontinue its policy of maintaining a minimum exchange rate of CHF1.20 per EUR1.00 (the **SNB Announcement**). As a result of the SNB Announcement, the PLN depreciated significantly within a very short timeframe against the CHF. Polish banks have a significant position in CHF denominated loans resulting from the significant origination of such loans between 2006 and 2008. According to the National Bank of Poland (the **NBP**), CHF loans accounted for approximately 27 per cent. of total mortgage loans within Poland as at 31 December 2017. Various proposals have been put forward for consideration by the Polish government, the Polish Financial Supervision Authority (the **KNF**), the Financial Stability Committee (the **KSF**) and politicians each of which seeks to reduce the impact on Polish borrowers of the depreciation of PLN against CHF.

On 2 August 2016, the President of Poland submitted to the lower house of the Polish Parliament (the **Sejm**) a bill on the terms of the refund of certain amounts payable under credit and loan agreements. The bill does not provide for the conversion of credit facilities into other currencies; instead, it introduces a requirement to refund the amounts collected at drawdown and the repayment of credit facilities in excess of the acceptable level of spread. According to the Chancellery of the President of Poland, the costs borne by the Polish banking sector as a consequence of adopting this bill should not exceed PLN4 billion. According to the NBP, the actual costs may be twice as large, while the KNF calculated the costs at PLN9.1 billion. The draft was send to the Public Finance Committee in the Sejm, but since 20 October 2016 it has not been processed.

On 2 August 2017, the Chancellery of the President of Poland presented to the Polish Parliament a draft act amending the existing act on support to mortgage loan borrowers in difficult financial conditions and to amend the act on corporate income tax. The main purpose of the draft act is to: (i) change the mechanism for providing financial support to those borrowers who find themselves in a difficult financial situation and are also required to repay instalments on a mortgage loan that represents a significant burden on their household budgets; and (ii) introduce a new instrument to facilitate the voluntary restructuring of loans denominated in or indexed to a foreign currency. The draft act would also extend the scope of support to borrowers in a difficult financial situation by introducing rules for granting a loan to repay the remaining mortgage loan and by specifying the conditions of use for the repayment loan if the amount obtained from the sale of the property fails to cover the entire obligation. Furthermore, the draft act would modify the criteria for granting financial aid and defines criteria for granting repayment loans. The draft act would extend the duration of financial aid from 18 to 36 months and would increase the maximum amount of financial aid from PLN1,500 to PLN2,000 per month, up to a maximum of PLN72,000 over three years. The funds are to be repaid in 144 equal, interest-free monthly instalments. If a borrower repays 100 instalments without any delay, the remaining 44 instalments would be cancelled.

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

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

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

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

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

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

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

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

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

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

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

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

In connection with its credit operations, the Group regularly writes down impaired assets and records impairment provisions in the profit and loss account of the Group. The total value of the Group's impairment provisions depends on the volume and type of borrowing activity, standards applied in the banking industry and is calculated based on the three-stage expected credit losses model, reflecting the change in the level of risk that occurred since an exposure was recognised, including losses experienced by the Group adjusted by expected forward-looking information, expectations on defaults in loan payments, the economic situation and other factors connected with the repayment of various loans. It also depends on the risk model applied by the Group, which may prove to be incorrect and result in an incorrect assessment by the Group of the risk associated with its loan portfolios.

Although the Bank's Management Board uses its best efforts to establish an appropriate amount of impairment provisions on loans and advances, that determination is subject to the evaluation of credit risk and may be affected by numerous factors, including depreciation of PLN against CHF and uncertainties relating to the current macroeconomic environment. The Group could be required to increase its impairment provisions on loans and advances in the future as a result of increases in non-performing assets or for other reasons. Any material increase in the impairment provisions on loans and advances, any loan losses in excess of the previously determined impairment provisions on loans and advances with respect thereto or changes in the estimate of the provision for expected losses on loans and advances could have an adverse effect on the Group's business, financial condition and results of operations.

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

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

As at 31 December 2017, debt instruments issued by the State Treasury accounted for 95.73 per cent. of the Group's debt securities portfolio in investment and trading securities. A decrease in the price of such securities may occur as a result of several factors, in particular: (i) an increased supply of such securities by the Polish government due to an increased issue of those securities to finance the budget deficit or an increased offer of securities by investors disposing of them; or (ii) increases in domestic interest rates; or (iii) a decrease in the credit ratings for Poland's sovereign debt; or (iv) increased political risk and a negative perception of Poland by investors. Any decrease in the price of such securities could adversely affect the Group's business, financial condition and results of operations.

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

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

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

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

Although the Group actively manages its liquidity requirements and foreign exchange position and hedges its exposure to foreign exchange and interest rate risks, continued foreign exchange rate volatility of the PLN against foreign currencies could increase the pressure on the Group's counterparties and could lead to increased defaults of the Group's counterparties and further losses incurred by the Group on its foreign exchange derivatives. Such developments could have an adverse effect on the business, financial condition and results of operations of the Group.

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

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

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

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

The Group faces risk associated with KUKE insurance

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

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

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

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

The Group's loan portfolio increased significantly primarily as a result of an increase in the volume of mortgage loans advanced by the Bank. As a result, a significant portion of the loans in the portfolio still has not reached the anticipated years during which default is most likely and the Group's default rate may increase as these loans season. In addition, in accordance with International Financial Reporting Standard (**IFRS**) 9 "Financial Instruments" (**IFRS 9**), starting from 1 January 2018, the Group introduced expected credit losses model for recognition of impairment.

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

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

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

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

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

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

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

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

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

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

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

In accordance with Polish law, neither the Bank nor any member of the Group is able to unilaterally change the terms of granted loans and advances to individuals, including credit margins. As at 31 December 2017, gross housing and mortgage loans to individuals (retail mortgage loans) constituted a material part (64.5 per cent.) of the Group's total gross loans and advances to individuals. As a result, the Group is limited in its ability to change its average credit portfolio margins through the generation of new mortgage loans and advances reflecting current credit margins on the market compared to other financial institutions operating on the Polish market, which have credit portfolios with a larger proportion of short-term loans. This limited ability to re-price its loan portfolio may adversely affect the business, financial condition and results of operations of the Group.

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

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

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

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

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

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

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

Losses relating to credit risk may arise if the risk management policies, procedures and assessment methods implemented by the Group to mitigate credit risk and to protect against credit exposures prove less effective than expected. The Group employs qualitative tools and metrics for managing risk that are based on observed historical market behaviour. These tools and procedures may fail to predict future risk exposures, especially in a market characterised by increased volatility and falling prices. Given the Group's variety of lending activities, the risk management systems employed by the Group may prove insufficient in measuring and managing risks.

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

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

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

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

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

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

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

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

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

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

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

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

The Group may fail in implementing its strategy

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

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

The Group faces increasing competition in Poland's banking industry

Since Poland's accession to the EU, at which time restrictions on foreign financial institutions conducting certain type of business activities were lifted, the Polish banking sector has been marked by low barriers to entry and increasing competition, which resulted in a number of acquisitions and market entries by non-Polish financial institutions. The Group primarily faces competition in its universal banking activities, where its competitors include large Polish and international banks operating in Poland's retail, corporate and investment banking markets.

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

In addition in recent years, the Polish banking sector has experienced an ongoing trend of consolidation, which may allow certain of the Group's competitors to benefit from an increased scale of operations.

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

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

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

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

The Group faces liquidity risk

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

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

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

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

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

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

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

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

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

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

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

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

The Group is also subject to regulation regarding the use of personal data. The General Data Protection Regulation imposes new obligations and guidelines on companies in the management and processing of personal data. Administrative fines of EUR20 million or 4 per cent. of a company's annual turnover can be imposed for non-compliance with the General Data Protection Regulation.

The Group has procedures in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers, and has also implemented security measures to prevent cyber-theft. However, if the Group or any of the third party service providers fails to store or transmit customer information in a secure manner, or if any loss or wrongful processing of personal customer data were otherwise to occur, the Group could be subject to investigative and enforcement action by relevant regulatory authorities and could be subject to claims or complaints from the person to whom the data relates, or could face liability under data protection laws. Should some or all of these risks materialise, this may have an adverse effect on the business, financial condition and results of operations of the Group.

Risks relating to macroeconomic and regulatory conditions

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

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

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

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

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

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

Brexit may have negative implications for the Polish economy as Poland is the largest beneficiary of European Union structural funds and the United Kingdom is one of the largest net contributors to the European Union budget. The United Kingdom's exit from the European Union may cause a need to adjust the European Union budget, which could reduce the amount of funds available to and received by Poland. Moreover, Brexit may cause exchange rate fluctuations and the instability of the EUR exchange rate. Volatility, or adverse macroeconomic developments in Poland, may affect the business, financial condition and results of operations of the Group.

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

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

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

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

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

The Group conducts its operations in Poland. As a result, the macroeconomic situation in Poland has a material impact on the business, financial condition and result of operations of the Group.

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

A potential prolonged economic slowdown in Poland would damage the Group's operations. Higher unemployment and lower consumption, as well as fluctuations in the financial markets (including the currency market), may adversely affect the financial conditions of the Group's customers, which could, in turn, impair the quality and volume of the Group's loans and advances portfolio and other financial assets and result in decreased demand for the Group's products. In addition, in unstable market conditions, the value of assets securing loans already granted or to be granted by the Group, including real estate, may decline significantly.

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

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

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

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

Increasing capital requirements constitute one of the Bank's main regulatory challenges; these may adversely affect the Bank's profitability. In addition, there would be significant operational and regulatory risk in the event of any possibility of failure to maintain required capital levels.

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

- the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the **CRR Regulation** or the **CRR**);

- the Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council with further amendments (the **ITS Regulation**);

- the Banking Law of 29 August 1997 with further amendments (the **Banking Law**);

- the Act on Macro-prudential Supervision of the Financial System and Crisis Management of 5 August 2015; and

- Regulation of the Minister of Development and Finance of 25 May 2017 on the application of higher risk weights to credit exposures secured by mortgages on real estate property.

The minimum levels of mandatory capital adequacy ratios for banks in Poland in 2018 are:

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

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

- an additional capital charge in Pillar II.

Taking into account the capital buffers and capital add-on, as at 31 December 2017, the required minimum capital ratios for the Bank at the individual level were 14.29 per cent. for TCR and 11.16 per cent. for Tier 1 capital ratio. At the consolidated Group level, the required minimum capital ratios are 14.19 per cent. for TCR and 11.16 per cent. for Tier 1 capital ratio.

As of 31 December 2017, the Group reported TCR and the Tier 1 capital ratio at 16.69 per cent. and 15.28 per cent. respectively, while standalone TCR and the Tier 1 capital ratio for the Bank stood at 18.95 per cent. and 17.37 per cent., respectively. At the date of this Base Prospectus, the capital adequacy ratios reported by the Bank were above the minimum levels required by KNF on both the individual and consolidated levels. However, certain developments could affect the Group's ability to continue to satisfy the minimum capital adequacy requirements, including:

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

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

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

In addition to the above, the CRR also includes a requirement for institutions to calculate a leverage ratio (**LR**), report it to the relevant regulatory bodies and to disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of the CRR requires institutions to calculate their LR in accordance with the methodology laid down in that article. In January 2014, the Basel Committee finalised a definition of how the LR should be prepared and set an indicative benchmark (namely 3 per cent. of Tier 1 capital). Such 3 per cent. Tier 1 LR has been tested during a monitoring period until the end of 2017 although the Basel Committee had already proposed the final calibration at 3 per cent. Tier 1 LR. Accordingly, whilst the CRR does not currently contain a requirement for institutions to have a capital requirement based on the LR, prospective investors should note the European Commission's proposal to amend the CRR which contains a binding 3 per cent. Tier 1 LR requirement (that would be in addition to the own funds requirements in Article 92 of the CRR) and which institutions must meet in addition to their risk-based requirements. However, the full implementation of the LR requirements is currently under consultation.

Furthermore, Article 45 of the BRRD provides that Member States shall ensure that institutions meet, at all times, a minimum requirement for own funds and eligible liabilities (**MREL**). The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. The European Banking Authority (**EBA**) was in charge of drafting regulatory technical standards on the criteria for determining MREL (the **MREL RTS**). On 3 July 2015 the EBA published the final draft MREL RTS. In application of Article 45(2) of the BRRD, the current version of the MREL RTS is set out in a Commission Delegated Regulation (EU) No. 2016/1450 that was adopted by the Commission on 23 May 2016 (the **MREL Delegated Regulation**).

The MREL Requirements (as defined in the Terms and Conditions of the Notes) were scheduled to come into force by January 2016. However, Article 8 of the MREL Delegated Regulation gave discretion to resolution authorities to determine appropriate transitional periods to each institution. On 21 July 2017 the Bank Guarantee Fund (*Bankowy Fundusz Gwarancyjny*, the **BGF**) which is the Polish resolution authority issued a recommendation regarding application of the MREL to Polish banks (the **MREL Recommendation**). As set out in the MREL Recommendation, Polish banks are required to be fully compliant with MREL Requirements by 1 January 2023 with a phase-in period until this date. The MREL Requirements will be expressed as a percentage of total risk exposure amounts and of the leverage ratio exposure measure. These requirements comprise the sum of a loss absorption amount and a recapitalisation amount, both of which are based on the applicable capital requirements for Polish banks. On 31 January 2018, the Polish Ministry of Finance published a draft act amending, among other things, the Act on the Bank Guarantee Fund and the Polish Bankruptcy Law. The draft act includes a proposal on the introduction of the Polish senior non-preferred bonds, ie a new layer of debt, ranking below all senior liabilities but above all subordinated liabilities.

At the date of the Base Prospectus, according to the MREL Recommendation, Polish banks are expected to meet the liability proportion of the MREL Requirements with subordinated instruments. Nevertheless, the introduction of the Polish senior non-preferred bonds is expected to have consequences for Polish banks, requiring the issue of a newly created instrument to meet the MREL Requirements. Due to a significant level of uncertainty regarding the final form of the Polish senior non-preferred bonds as well as viable adjustments of the MREL Recommendation (insofar as eligibility criteria are concerned), the Bank cannot provide any assurance that any Ordinary Senior Notes or Senior Non-Preferred Notes will be (or will thereafter remain) eligible liabilities of the Bank, or that the manner in which Polish banks are expected to meet the liability portion of the MREL Requirements will not change in the future.

The European Commission committed to review the existing MREL rules with a view to provide full consistency with the TLAC standard by considering the findings of a report that the EBA is required to provide to the European Commission under Article 45(19) of the BRRD. On 14 December 2016, the EBA published its final report on the implementation and design of the MREL framework where it stated that, although there was no need to change the key principles underlying the MREL Delegated Regulation, certain changes would be necessary with a view to improve the technical soundness of the MREL framework and implement the TLAC standard as an integral component of the MREL framework. On 20 December 2017, the SRB published its second policy statement on MREL, which will serve as a basis for setting binding MREL targets.

On 23 November 2016, the European Commission published, among other things, proposals to amend the CRR; the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, the **CRD IV**); the BRRD; and the Single Resolution Mechanism Regulation (Regulation EU 806/2014). The proposals covered multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. The proposals also cover a harmonised national insolvency ranking of unsecured debt instruments to facilitate the issuance by credit institutions of such "non-preferred" senior debt. Due to, among others, the adoption of the Directive (EU)2017/2399, the Council of the European Union on 23 May 2018 published compromise proposals relating to the changes proposed by the European Commission. The proposals related to the European Commission's proposed revisions to the BRRD and the implementation of the TLAC standard (known collectively as BRRD II) are to be considered by the European Parliament and the Council of the EU and therefore remain subject to change. The final package of new legislation may not include all elements of the proposals and new or amended elements may be introduced through the course of the legislative process. Until all the proposals are in final form and are finally implemented into the relevant legislation, it is uncertain how the proposals will affect the Bank or the Noteholders.

One of the main objectives of these proposals is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules (the **TLAC/MREL Requirements**) thereby avoiding duplication from the application of two parallel requirements. As mentioned above, although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. The European Commission is proposing to integrate the TLAC standard into the existing MREL rules and to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be institution-specific and determined by the resolution authority. Under these proposals, institutions such as the Bank would continue to be subject to an institution-specific MREL requirement, which may be higher than the requirement of the TLAC standard.

Any failure by an institution to meet the applicable minimum TLAC/MREL Requirements is intended to be treated in the same manner as a failure to meet minimum regulatory capital requirements (the imposition of restrictions or prohibitions on discretionary payments by the Bank), where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

Additionally, the Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions that are members of the Basel Committee.

On 7 December 2017, the GHOS published the finalisation of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework covers credit, operational and credit valuation adjustment (**CVA**) risks, introduces a floor to the consumption of capital by internal ratings-based methods (**IRB**) and the revision of the calculation of the leverage ratio. The main features of the reform are: (i) a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservatism in model parameters and limitations to its use for portfolios with low levels of non-compliance; (iii) regarding the CVA risk, and in connection with the above, the removal of any internally modelled method and the inclusion of a standardised and basic method; (iv) regarding the operations risk, the revision of the standard method, which will replace the current standard methods and the advanced measurement approaches (**AMA**); (v) the introduction of a leverage ratio buffer for G-SIIs; and (vi) regarding capital consumption, it establishes a minimum limit on the aggregate results (output floor), which prevents the risk-weighted assets (**RWA**) of the banks generated by internal models from being lower than the 72.5 per cent. of the RWA that are calculated with the standard methods of the Basel III framework.

The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks.

In addition to the above, the Bank should also comply with the liquidity coverage ratio (**LCR**) requirements provided in CRR. According to article 460.2 of CRR, the LCR has been progressively introduced since 2015 with the following phasing-in: (a) 60 per cent. of the LCR in 2015; (b) 70 per cent. as of 1 January 2016; (c) 80 per cent. as of 1 January 2017; and (d) 100 per cent. as of 1 January 2018. As of 31 December 2017, the Bank's LCR was 141 per cent., comfortably exceeding the regulatory requirement.

Failure to maintain the required capital adequacy ratios or to otherwise maintain sufficient levels of capital may lead to restrictive measures imposed upon the Bank under the Banking Law or the Act dated 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Mandatory Restructuring (the **Act on the Bank Guarantee Fund**), implementing the Bank Recovery and Resolution Directive (the **BRRD**) in Poland, and may have an adverse effect on the business, financial condition and results of operations of the Group.

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

The implementation of the Bank Recovery and Resolution Directive into Polish law may adversely affect the Group's business, financial condition, results of operations or prospects

Based on the reform measures developed by the Financial Stability Board (Effective Resolution of Systemically Important Financial Institutions) and Basel III, the European Parliament and the Council of the European Union adopted the BRRD. The aim of the BRRD is to minimise the burden on taxpayers in the event of failures on the part of banks to meet their obligations while ensuring that shareholders and creditors bear the costs thereof.

Pursuant to the BRRD, the so-called "resolution authorities" are vested with the necessary powers to apply resolution tools to institutions that meet the applicable conditions for resolution. The resolution tools include, inter alia, the instrument of "bail-in", which gives resolution authorities the power to write down the claims of the unsecured creditors of a failing institution and to convert debt claims to equity without the consent of the creditors. The resolution authorities are also vested with the power to write down "relevant capital instruments" in full and on a permanent basis or to convert them in full into common equity Tier 1 instruments before any resolution action is taken if and when one or more specific circumstances apply, such as the determination by the relevant resolution authority that the institution meets the conditions for resolution and that the institution concerned has reached the point of "non-viability". A write-down follows the allocation of losses and ranking in insolvency so that equity absorbs the losses in full before any debt claim is subject to write-down.

Pursuant to the BRRD, the costs of resolution are to be borne by the banking sector. The Member States should set up their own financing arrangements funded with contributions from banks and investment firms made by those entities proportionally to their liabilities and risk profile. Banks ought to contribute annually in relation to their share of specific liabilities in the total size of the national financial sector in order to reach a target funding level of at least 1% of deposits (over a ten-year period). If the ex-ante funds are insufficient to cover the resolution of a financial institution, further contributions will be raised ex-post.

The relevant regulations of the BRRD were implemented in Poland under the Act on the Bank Guarantee Fund, which came into force on 9 July 2016 and 9 October 2016 (certain provisions of this legislation came into force on 11 February 2017). The Act on the Bank Guarantee Fund modified the legal framework of the deposit guarantee scheme in Poland, operated by the Bank Guarantee Fund and developed a framework allowing for the orderly resolution of financial institutions. The Act on the Bank Guarantee Fund also repealed the existing restructuring and support measures under Polish law to bring the relevant provisions in line with the BRRD framework. In this respect, the Act on the Bank Guarantee Fund amended several other related legal acts, including legislation on financial instruments, insolvency, financial market supervision and recapitalisation of financial institutions. The Bank has to comply with the Act on the Bank Guarantee Fund and has adjusted its operations to comply with the new requirements.

The BRRD also impacts on how large a capital buffer an institution will need, in addition to those set out in the CRR/CRD IV. To ensure that institutions always have sufficient loss absorbing capacity, the BRRD requires institutions to maintain at all times a sufficient aggregate amount of own funds (as defined in Article 4(1)(118) of the CRR) and 'eligible liabilities' (namely, liabilities and other instruments that do not qualify as Tier 1 or Tier 2 capital and that may be bailed-in using the bail-in tool) - minimum requirements for own funds and eligible liabilities (MREL). Under the BRRD there is no mandatory subordination of the eligible instruments, therefore they may be senior or subordinated, provided they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law or through contractual provisions. No subordination requirement means that a liability eligible for MREL may rank in insolvency at the same level (*pari passu*) as certain other liabilities which are not bail-inable or which are bail-inable but are excluded from the bail-in tool by the resolution authority under exceptional circumstances. This could lead to situations where bailed-in bondholders may claim they have been treated worse under resolution than under a hypothetical insolvency. In such case, they would need to be compensated. To avoid this risk, it is currently being considered that national resolution authorities may decide that the MREL requirement should be met with instruments that rank in insolvency below other liabilities that are either not bail-inable by law or are difficult to bail-in.

The introduction of the new regulations and the resulting changes in the regulatory requirements may have an adverse effect on the Group's business, financial conditions and results of operations.

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

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

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

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

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

In December 2015, the Polish Parliament adopted the Act on Tax Imposed on Certain Financial Institutions (the **Banking Tax Act**). The purpose of the Banking Tax Act, which entered into force on 1 February 2017 is to impose tax on the assets of financial institutions, including banks. The tax (the **Banking Tax**) is calculated by reference to the total assets of a bank, subject to a tax-free amount of PLN4 billion. Own funds and treasury bonds are excluded from the new tax.

The tax is charged monthly and its rate is currently set at 0.0366 per cent., but there is no guarantee it will not be raised in the future or that additional taxes will not be levied on the Bank. The Banking Tax Act prohibits financial institutions from adjusting the pricing of pre-existing financial and insurance services to pass on or share the cost of complying with the Banking Tax Act to customers. Since it was introduced, the Banking Tax has materially reduced net profit generated by the Group. The amount of the Banking Tax paid by the Group between February and December 2016 reached PLN387.2 million, while the tax paid in 2017 stood at PLN423.8 million.

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

The Bank may be required to make substantial mandatory contributions, including contributions to the Bank Guarantee Fund and the Borrowers' Support Fund

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

Since 2017, the amount of contributions to the bank guarantee fund and the resolution fund is calculated by the BGF individually for each bank. Contributions to the deposit guarantee fund are paid quarterly. The basis for calculation of fees for a given quarter is the value of the covered deposits at a bank, at the end of the quarter immediately preceding the quarter to which the contribution relates. Contributions to the resolution fund of banks are paid once a year. The basis for calculating contributions is the sum of a bank's liabilities (net of own funds and covered deposits) as at the last approved annual financial statements before 31 December of the year preceding the year of contribution.

In 2015 and 2016, the BGF has requested additional contributions from the banking sector to cover the cost of payments to deposit holders of bankrupt banks and other deposit-taking financial institutions. In 2015, the KNF submitted a bankruptcy filing for the cooperative bank Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie. As a result, based on the Act on Bank Guarantee Fund, the Group was obliged to pay a contribution of PLN183.8 million to the BGF. In 2016, the Group's additional contribution for the repayment of guaranteed deposits to the depositors of Bank Spółdzielczy in Nadarzyn reached PLN13.5 million.

For the year ended 31 December 2017, the value of the Group's BGF contribution for both funds amounted to PLN211.0 million, compared to PLN252.4 million in 2016.

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

In addition, a Borrowers' Support Fund was established to support residential borrowers in financial difficulties. This fund, managed by Bank Gospodarstwa Krajowego (**BGK**, the state development bank), is intended to provide support to private individuals who find themselves in difficult financial situations and who are required to repay residential loans which significantly encumber their household budgets. The Borrowers' Support Fund is funded predominantly from contributions made by lenders in proportion to their residential mortgage loan portfolio for households, for which the delay in repayment of principal or interest exceeds 90 days. The Group was obliged to make related one-off contributions to the Borrowers' Support Fund (PLN40.8 million in 2015). A draft law amending the law on support to residential borrowers which is before the Polish Parliament would extend the scope of the law on support to borrowers in a difficult financial situation and would introduce a rule of quarterly contributions of creditors to a supporting fund and a restructuring fund. The latter would be used to support the voluntary restructuring of foreign currency denominated or indexed residential mortgage loans.

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

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

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

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

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

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

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

The Group's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. From time to time amendments are adopted to the applicable financial accounting and reporting standards that govern the preparations of the Group's financial statements.

In July 2014, the International Accounting Standards Board published IFRS 9, which replaced IAS 39 from 1 January 2018. The standard amends and complements the rules on the classification and measurement of financial instruments. It includes a new impairment model based on expected credit losses (**ECL**), while the IAS 39 model previously used by the Group was based on provisions for incurred losses, and new rules on general hedge accounting.

The new approach based on ECL influences the method of calculating and recognising the impairment changes and might add volatility to the Group's financial results. The Group has applied the provisions of IFRS 9 when preparing the Group's half-year financial statements for the period ended 30 June 2018. This hinders a comparative analysis between the Group's half-year financial statements and the financial statements for the years ended 31 December 2017 and 2016.

In addition, since 1 January 2019 the International Financial Reporting Standard 16 "Leases" (**IFRS 16**) will apply to the Group's financial reporting. IFRS 16, applicable to annual periods beginning on 1 January 2019 or after that date, eliminates the classification of leases as either operating leases of finance leases, as required by IAS 17, and, instead, introduces a single lease accounting model. As at the date of this Base Prospectus, the Group is assessing the IFRS 16 impact on its financial statements.

Any amendment to the International Financial Reporting Standards which, in the future, may be adopted by the European Union and which concerns the valuation of the balance sheet, off-balance sheet items, disclosures or creating write-downs and provisions, may have a negative impact on the presentation of the financial and economic situation of the Group.

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

In the course of its activities, the Group is subject to numerous inspections, reviews, audits and explanatory proceedings conducted by various supervisors which supervise the financial services sector and other areas in which the Group operates, including the KNF and the Office for Competition and Consumer Protection (the **OCCP**). The latest inspection by the KNF took place from March to April 2018.

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

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

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

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

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

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

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

The KNF may by way of a decision:

- address the management board of a bank with a request to implement a recovery plan, including taking the measures specified in the recovery plan or an update thereof if the premises for its implementation differ from the premises adopted during development of the recovery plan or to take, within a specified period of time, actions provided for in the updated recovery plan in order to fulfil the capital adequacy requirements as they apply to the Bank or to improve the Bank's financial situation;

- prohibit or restrict granting credit and loans to shareholders (members) and members of the management board, supervisory board and employees of a bank;

- order reduction or withholding of payment of certain variable components of remuneration of persons holding managerial positions in a bank;

- request the management board of a bank to convene an extraordinary general meeting of shareholders in order to assess the situation of a bank, adopt a decision to cover a balance sheet loss or to adopt other resolutions, including resolutions on an increase in own funds;

- request to dismiss one or more members of the management board or persons holding managerial positions if these persons fail to guarantee prudent and sound management of the bank;
- order, on considering a recovery plan, preparation and implementation of a restructuring plan of liabilities towards some or all of creditors;
- request a bank to amend its business strategy; or
- order to amend the statutes of a bank or its organisational structure.

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

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

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

The impact of competition and anti-monopoly legislation

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

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

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

The President of the OCCP has recently received certain additional powers. In particular, the President of the OCCP is permitted to issue administrative decisions concerning prohibited clauses in contract templates and ban their further use. The Group has implemented appropriate procedures to mitigate the risk associated with offering financial services that are inadequate for a particular customer. However, as the concept of misselling is broad, there is a risk that the OCCP can initiate proceedings against the Bank if it finds that financial services are inadequate for a particular customer.

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

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

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

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

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

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

Santander holds corporate control over the Bank

As at the date of this Base Prospectus, Santander held 67,680,774 shares, representing 68.13 per cent. of the Bank's share capital which gave Santander the right to exercise 68.13 per cent. of the total number of votes at any General Shareholders' Meeting.

Santander is able to exercise corporate control over the Bank due to its share in the capital of the Bank and in the total number of votes at the General Meeting. In particular, Santander has majority voting power at the General Meeting, and thus has a decisive voice regarding major corporate actions, such as the amendment of the Articles of Association, issuance of new shares of the Bank, decrease of the Bank's share capital, issuance of convertible bonds or payment of dividends. In addition, Santander holds a sufficient number of votes to appoint a majority of the members of the Supervisory Board, which in turn appoints the members of the Management Board. As a result, Santander has the ability to exercise considerable control over the Bank's operations.

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

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

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

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

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

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

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

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

Since July 2010, changes have been introduced into Polish law making it possible to bring class action lawsuits. The ability of customers to group their lawsuits against a bank in a single class action significantly lowers the legal fees and other costs of such lawsuits, which may cause court actions against the Bank or other Group companies to become more frequent. There are currently two class action suits regarding the protection of consumers against the Group. Although neither of the class actions (in the aggregate) currently pending is material for the Group, it is possible that any future class actions based on an alleged breach of consumers' interests may be material for the Group.

No assurance can be given that the Bank will be successful in defending these proceedings. Moreover, as a consequence of the above class actions, a number of other clients of the Bank in similar circumstances to those described above may file claims for compensation. Additionally, there is a risk that the Bank's clients may initiate additional class actions. The negative result of such class actions may adversely affect the Group's business, financial condition and results of operations.

Risks Relating to the Notes

The Notes may be redeemed prior to maturity at the Issuer's option for taxation reasons or upon the occurrence of a Capital Disqualification Event or an MREL Disqualification Event, subject to certain conditions

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Poland or any political subdivision or any authority thereof or therein having power to tax (a **Tax Jurisdiction**), the Issuer may, at its option, redeem all outstanding Notes in whole, but not in part, in accordance with the Terms and Conditions of the Notes. The Notes may be also redeemed for taxation reasons if: (i) the Issuer would not be entitled to claim a deduction in computing taxation liabilities in any Tax Jurisdiction in respect of any payment of interest to be made on the Notes on the next payment date due under the Notes or the value of such deduction to the Issuer would be materially reduced; or (ii) if the applicable tax treatment of the Notes is materially affected. In each case, the Issuer may only redeem such Notes if such: (i) additional payment or inability to claim a tax deduction (as applicable) occurs or the applicable tax treatment of the Notes is materially affected as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (ii) in the case of Ordinary Senior Notes eligible to comply with MREL Requirements, Senior Non Preferred Notes and Subordinated Notes only if so permitted by the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force and subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required), as further described in Condition 9(b) (*Redemption for tax reasons*).

Furthermore, if a Capital Disqualification Event occurs as a result of a change (or any pending change which the Regulator considers sufficiently certain) in Polish law, Applicable Banking Regulations or any change in the official application or interpretation thereof becoming effective on or after the Issue Date, the Issuer may redeem all, and not some only, of any Series of the Tier 2 Subordinated Notes subject to such redemption being permitted by the Applicable Banking Regulations then in force and subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required), as further described in Condition 9(c) (*Early Redemption due to Capital Disqualification Event*).

If an MREL Disqualification Event occurs as a result of a change (or any pending change which the competent authority considers sufficiently certain) in Polish law or Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) or any change in the official application or interpretation thereof becoming effective on or after the Issue Date, Ordinary Senior Notes where the MREL Disqualification Event has been specified as applicable in the relevant Final Terms, Senior Non Preferred Notes and Senior Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force, and subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required), as further described in Condition 9(d) (*Early Redemption due to MREL Disqualification Event*).

As above mentioned, the redemption of Tier 2 Subordinated Notes of the Issuer at the option of the Issuer is subject to the permission of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required) and pursuant to article 78(1) of the CRR such permission will be given only if either of the following conditions is met:

(a) on or before such redemption of the Tier 2 Subordinated Notes, the Issuer replaces the Tier 2 Subordinated Notes with own funds of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or

(b) the Issuer has demonstrated to the satisfaction of the competent authority that its own funds would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Regulator may consider necessary on the basis set out in CRD IV.

Likewise, the early redemption of Notes that qualify as eligible liabilities for the purposes of MREL, such as Ordinary Senior Notes eligible to comply with MREL Requirements, Senior Non Preferred Notes and Senior Subordinated Notes, may also be subject in the future to the prior consent of the Regulator and/or the Relevant Resolution Authority. The proposal for a regulation amending CRR published by the European Commission on 23 November 2016 (the **Proposed CRR Amendment**) provides that the redemption of eligible liabilities prior to the date of their contractual maturity is subject to the prior permission of the competent authority. According to this proposal, such permission will be given only if either of the following conditions are met:

(a) on or before such redemption, the institution replaces the instruments with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

(b) the institution has demonstrated to the satisfaction of the competent authority that the own funds and eligible liabilities of the institution would, following such redemption, exceed the requirements laid down in the CRR, the CRD IV and the BRRD by a margin that the competent authority considers necessary.

It is not possible to predict whether or not any further change in the laws or regulations of Poland or the application or interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes or, in the case any prior permission of the Regulator and/or the Relevant Resolution Authority for such redemption is required, whether such permission will be given. Early redemption features are also likely to limit the market value of the Notes. During any period when the Issuer can redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period if the market believes that the Notes may become eligible for redemption in the near term.

Early redemption and purchase of the Ordinary Senior Notes eligible to comply with Applicable MREL Regulations, Senior Non Preferred Notes and/or Senior Subordinated Notes may be restricted

Any early redemption or purchase of Ordinary Senior Notes eligible to comply with Applicable MREL Regulations, Senior Non Preferred Notes and/or Senior Subordinated Notes is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Applicable MREL Regulations at the relevant time, including any requirements applicable to such redemption or repurchase due to the qualification of such Ordinary Senior Notes eligible to comply with Applicable MREL Regulations, Senior Non Preferred Notes and/or Senior Subordinated Notes at such time as eligible liabilities available to meet the MREL Requirements.

The qualification of the Senior Subordinated Notes, the Senior Non Preferred Notes and certain Ordinary Senior Notes as being eligible to comply with Applicable MREL Regulations is subject to uncertainty

The Senior Subordinated Notes, the Senior Non Preferred Notes and certain Ordinary Senior Notes may be intended to comply with Applicable MREL Regulations. However, there is uncertainty regarding the final substance of the Applicable MREL Regulations and how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot provide any assurance that the Senior Subordinated Notes, the Senior Non Preferred Notes and certain Ordinary Senior Notes will or may be (or thereafter remain) in compliance with Applicable MREL Regulations.

If for any reasons the Senior Subordinated Notes, the Senior Non Preferred Notes and the Ordinary Senior Notes where the MREL Disqualification Event has been specified as applicable in the relevant Final Terms do not comply with Applicable MREL Regulations or if they initially comply with Applicable MREL Regulations and subsequently become ineligible due to a change in Polish law or Applicable MREL Regulations, then a MREL Disqualification Event will occur, with the consequences indicated in the Terms and Conditions. See "*Notes may be redeemed prior to maturity at the Issuer's option for taxation reasons or upon the occurrence of a Capital Disqualification Event or an MREL Disqualification Event, subject to certain conditions*" and "*Notes may be subject to substitution and modification without Noteholder consent*"

Notes may be required to absorb losses as a result of statutory powers conferred on resolution and recovery authorities in Poland

The Noteholders are subject to the risk that such Notes may be required to absorb losses as a result of statutory powers conferred on the resolution and recovery authority in Poland.

The BRRD provides member states' authorities with a set of tools and powers for dealing with failing banks and requires banks to facilitate this process by providing information for recovery and resolution planning purposes. The purpose of the BRRD is to guarantee that the restructuring of banks on the verge of insolvency occurs without imposing any additional costs on taxpayers and that the costs of restructuring are distributed between the banks' shareholders and creditors. The BRRD contains the following resolution tools that may be used alone or in combination in the event that the relevant resolution authority believes that: (i) an institution is failing or likely to fail; (ii) there is no reasonable prospect of any alternative private sector measures preventing the failure of such institution within a reasonable timeframe; and (iii) a resolution action is in the public interest:

- the sale of a business – enabling the resolution authorities to direct the sale of the institution or a part of its business;
- a bridge institution – enabling the resolution authorities to transfer all or a part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially under public control);
- asset separation – enabling the resolution authorities to transfer impaired or under-performing assets to a publicly owned asset management vehicle to allow them to be managed with a view to maximising their value through a potential sale or orderly wind-down (this can be used together with another resolution tool only); and
- a bail-in – giving resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims to equity.

The powers provided to resolution and competent authorities (BGF in Poland) in the BRRD include write-down/conversion powers to ensure that relevant capital instruments (such as Notes issued under the Programme) fully absorb losses at the point of non-viability of the issuing institution in order to allow it to continue as a going concern subject to appropriate restructuring. For the purposes of the application of any non-viability loss absorption measure (i) the point of non-viability of a relevant entity under the BRRD is the point at which the relevant authority or authorities, as the case may be, determine(s) that the relevant entity or its group meets the conditions for resolution or will no longer be viable unless the relevant capital instruments (such as Notes issued under the Programme) are written down or converted into equity or extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the economy of an EEA member state and to preserve financial stability; and (ii) the point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated prudential requirements in a way that would justify action by the appropriate authority, including but not limited to because the group has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds.

As a result, the BRRD contemplates that resolution authorities may require the permanent write-down of such capital instruments (which write-down may be in full) or the conversion of them into CET1 instruments at the point of non-viability (which CET1 instruments may also be subject to any application of the general bail-in tool described above) and before any other bail-in or resolution tool can be used. The application of any non-viability loss absorption measure may result in Noteholders losing some or all of their investment. The exercise of any such power may be inherently unpredictable and may depend on a number of factors which may be outside the Issuer's control. Any such exercise, or any suggestion that the Notes could become subject to such exercise, could, therefore, materially adversely affect the value of the Notes.

Minimum requirements for own funds and eligible liabilities (MREL)

As described above in the risk factor "*The implementation of the Bank Recovery and Resolution Directive into Polish law may adversely affect the Group's business, financial condition, results of operations or prospects"*, in order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that all in-scope institutions have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied. Each institution must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities (BGF in Poland) on a case by case basis. The MREL requirement applies to all EU credit institutions (and certain investment firms), not just to those identified as being of a particular size or of systemic importance.

In determining the level of an institution's MREL requirement, the resolution authority must have regard to certain criteria specified in the BRRD and the MREL requirement for that institution will be comprised of a number of key elements, including the required loss absorbing capacity of the institution (which will, as a minimum, equate to the institution's capital requirements under CRD IV, including applicable buffers), and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRD IV), along with "eligible liabilities", meaning liabilities which, inter alia, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives. The MREL requirement may also have to be met partially through the issuance of contractual bail-in instruments, being instruments that are effectively subordinated to other eligible liabilities in a bail-in or insolvency of the relevant institution.

The Act on the Bank Guarantee Fund, in line with BRRD, requires that Polish banks shall hold a minimum level of own funds and eligible liabilities in relation to total liabilities and own funds. The Act on the Bank Guarantee Fund also empowers the BGF to set out individual MREL requirements for each Polish bank in order to ensure that each Polish bank is able to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied.

BRRD's provisions relating to MREL will be supplemented by regulatory technical standards (RTS) drafted by the EBA with a view to be adopted by the European Commission. The extent and nature of the MREL requirements are currently being developed and so it is not possible to determine the exact impact that they will have on the Issuer once implemented. The Issuer may be required to issue a significant amount of additional eligible liabilities in order to meet the new MREL requirements within the required timeframes. If the Issuer was to experience difficulties in raising eligible liabilities, it may have to reduce its lending or investments in other operations.

Absence of events of default in respect of Subordinated Notes, Senior Non Preferred Notes, and certain Ordinary Senior Notes

The Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes do not provide for any events of default. The Noteholders will not be able to accelerate the maturity of such Notes. Accordingly, if the Issuer fails to meet any obligations under such Notes, investors will not have the right of acceleration of principal. Upon a payment default, the sole remedy available to the Noteholders and, where applicable, the Couponholders for the recovery of amounts owing in respect of any payment of principal or interest on such Notes will be the institution of judicial proceedings to enforce such payment. Notwithstanding the foregoing, the

Issuer will not, by virtue of the institution of any such proceedings, be required to pay any sum or sums sooner than the same would otherwise have been due and payable by it.

Senior Non Preferred Notes constitute obligations ranking junior to the Ordinary Senior Notes

The Issuer's obligations under the Senior Non Preferred Notes including, where applicable any related Coupons, are unsecured so they will rank junior in priority of payment to other creditors (such as depositors and creditors in respect of principal or interest on Senior Higher Priority Liabilities (including the Ordinary Senior Notes)) of the Issuer, as more fully described herein. Although the Senior Non Preferred Notes may pay a higher rate of interest than comparable notes that are senior to them, there is a substantial risk that investors in notes such as the Senior Non Preferred Notes will lose all or some of their investment should the Issuer become insolvent or become subject to any resolution procedure. Noteholders of Senior Non Preferred Notes face an increased risk compared to the Noteholders of the Ordinary Senior Notes.

Subordinated Notes constitute subordinated obligations ranking junior to the Senior Notes

The Issuer's obligations under the Subordinated Notes including, where applicable any related Coupons, are unsecured and subordinated so they will rank junior in priority of payment to other creditors (such as depositors and other unsecured and unsubordinated creditors of the Bank (including the Senior Preferred Notes and the Senior Non-Preferred Notes)) of the Issuer, as more fully described herein. Although the Subordinated Notes may pay a higher rate of interest than comparable notes that are not subordinated, there is a substantial risk that investors in subordinated notes such as the Subordinated Notes will lose all or some of their investment should the Issuer become insolvent or become subject to any resolution procedure. Subordinated Noteholders face an increased risk compared to the Noteholders of the Senior Notes.

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The terms of the Notes may contain a waiver of set-off rights

The Proposed CRR Amendment provides that Notes qualifying as Tier 2 instruments and eligible liabilities may not be subject to set-off or netting rights that would undermine their loss-absorbing capacity in resolution. The exercise of set-off rights in respect of the Issuer's obligations under the Notes upon the opening of a resolution procedure would be prohibited by Article 68 of BRRD (as transposed into Polish law from time to time).

The Terms and Conditions of the Notes provide that, if so specified in the Final Terms, Noteholders waive any deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note against any right, claim, or liability the Issuer has or may have or acquire against any Noteholder, directly or indirectly howsoever arising. As a result Noteholders would not at any time be entitled to set off the Issuer's obligations under the Notes against obligations owed by them to the Issuer.

Notes may be subject to substitution and modification without Noteholder consent

To the extent that Condition 15 (*Substitution and Variation*) is specified in the relevant Final Terms as being applicable to the Notes provisions relating to the substitution or variation of the Notes, in certain circumstances, such as if a Capital Disqualification Event, an MREL Disqualification Event or a circumstance giving rise to the right of the Issuer to redeem the Notes for taxation reasons under Condition 9(b) occurs and is continuing, the Issuer may substitute all (but not some only) of the Notes or modify the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, to ensure that such substituted or varied Notes continue to qualify as Tier 2 Capital or towards the Issuer's MREL Requirements as applicable, or in order to ensure the effectiveness of Condition 25 (*Recognition of the Polish Bail-in Power*).

While the Issuer cannot make changes to the terms of the Notes that, in its reasonable opinion, are materially less favourable to a Noteholder of such Note, there can be no assurances as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such varied Notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the Notes prior to such substitution or variation.

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

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

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

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

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

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

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

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

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Notes issued under the Programme to be admitted to listing on Euronext Dublin, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

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

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

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments through Euroclear and Clearstream, Luxembourg. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

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

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

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

In the event of a Partial Redemption Noteholders may be left with an amount of Notes lower than the Specified Denomination.

In the event of a partial redemption of Notes in accordance with Condition 9(f) (*Partial Redemption*), it is possible that a Holder may be left with an amount of Notes lower than the Specified Denomination, or that is not an integral multiple of the Specified Denomination. Such amounts would be illiquid and difficult to trade, and such a Holder would need to purchase additional Notes in order to be able to trade.

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

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

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

The provisions of the Agency Agreement and the Deed of Covenant are based on English law in effect as at the date of this Base Prospectus. The provisions of the Conditions are based on English and Polish law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to law or administrative practice in either jurisdiction after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

The interest rate on Reset Fixed Rate Notes will reset on each Reset Date, which can be expected to affect interest payments on an investment in Reset Fixed Rate Notes and could affect the market value of Reset Fixed Rate Notes

Reset Fixed Rate Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the First Margin or the Subsequent Margin, as applicable, as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a Subsequent Reset Rate of Interest). The Subsequent Reset Rate of Interest for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate of interest for prior Reset Periods and could affect the market value of an investment in the Reset Fixed Rate Notes.

Risks relating to the market generally

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

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

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

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

One or more independent credit rating agencies may assign credit ratings to the Notes issued under the Programme. The ratings may not reflect the potential impact of all the risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, (2) the rating is provided by a credit rating agency not established in the EU but is endorsed by a credit rating agency established in the EU and registered under the CRA Regulation, or (3) the rating is provided by a credit rating agency not established in the EU, but which is certified under the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

INFORMATION INCORPORATED BY REFERENCE

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

1. the following pages of the unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2018 (published on the Issuer's website https://static3.bzwbk.pl/asset/s/s/f/ssf_eng_-Group-BZWBK-Cons-Fin-Stat-1H-2018_87546.pdf?_ga=2.79351188.1089712674.1533042015-279462841.1533042015) prepared in accordance with the Accounting Standard 34 "Interim Financial Reporting" and reviewed by PricewaterhouseCoopers sp. z o.o., which constitute a free translation from the Polish version into the English language:

    (a) condensed consolidated income statement (page 6);

    (b) condensed consolidated statement of comprehensive income (page 7);

    (c) condensed consolidated statement of financial position (page 8);

    (d) condensed consolidated statement of changes in equity (page 9);

    (e) condensed consolidated statement of cash flows (page 10); and

    (f) explanatory notes to the consolidated financial statements (pages 11 to 83);

2. the separate independent registered auditor's report on the review of the unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2018 (pages 1 to 2) which constitutes a free translation from the Polish version into the English language (published on the Issuer's website https://static3.bzwbk.pl/asset/r/b/_/rb_eng_BZ-WBK-Review-Report-30.06.2018-ENG_87548.pdf?_ga=2.77124309.135739614.1533729221-1848081609.1533729221);

3. the audited consolidated financial statements of the Group for the year ended 31 December 2017 (published on the Issuer's website https://static3.bzwbk.pl/asset/B/Z/-/BZ-WBK-Group-SAB-RS-2017-eng_83738.pdf?_ga=2.227246238.2069413391.1529836394-876511066.1529836394) prepared in accordance with IFRS (the **2017 Consolidated Financial Statements**), audited by PricewaterhouseCoopers sp. z o.o. included in the consolidated annual report of the Group for the year ended 31 December 2017, which constitute a free translation from the Polish version into the English language:

    (a) consolidated income statement (page 4);

    (b) consolidated statement of comprehensive income (page 4);

    (c) consolidated statement of financial position (page 5);

    (d) consolidated statement of changes in equity (page 6);

    (e) consolidated statement of cash flows (page 7); and

    (f) explanatory notes to the consolidated financial statements (pages 8 to 114);

4. the separate independent registered auditor's report on the 2017 Consolidated Financial Statements (pages 1 to 11) which constitutes a free translation from the Polish version into the English language (published on the Issuer's website https://static3.bzwbk.pl/asset/A/u/d/Auditor_s_Report_-_RS_2017_ang_83741.pdf?_ga=2.256090632.2069413391.1529836394-876511066.1529836394);

5. the audited consolidated financial statements of the Group for the year ended 31 December 2016 (published on the Issuer's website https://static3.bzwbk.pl/asset/G/r/u/Grupa-BZ-WBK-2016_Spr.skons_ENG_75412.pdf?_ga=2.256090632.2069413391.1529836394-876511066.1529836394) prepared in accordance with IFRS (the **2016 Consolidated Financial Statements**), audited by PricewaterhouseCoopers sp. z o.o. included in the consolidated annual report of the Group for the year ended 31 December 2016, which constitute a free translation from the Polish version into the English language:

   (a) consolidated income statement (page 4);

   (b) consolidated statement of comprehensive income (page 4);

   (c) consolidated statement of financial position (page 5);

   (d) consolidated statement of changes in equity (page 6);

   (e) consolidated statement of cash flows (page 7); and

   (f) explanatory notes to the consolidated financial statements (pages 8 to 106); and

6. the separate independent registered auditor's report on the 2016 Consolidated Financial Statements (pages 1 to 22) which constitutes a free translation from the Polish version into the English language (published on the Issuer's website https://static3.bzwbk.pl/asset/G/r/u/Grupa-BZ-WBK-2016_Opinia-i-raport-BR_ENG_75409.pdf?_ga=2.131884684.2069413391.1529836394-876511066.1529836394).

Any information not listed above but included in the documents incorporated by reference is given for information purposes only. The Issuer accepts responsibility as to the accuracy and completeness of any translations into English set out in any documents incorporated by reference in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained, free of charge, at the specified offices of the Paying Agent, unless such documents have been modified or superseded. Such documents will also be available to view on the website of Euronext Dublin (www.ise.ie).

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Notes.

USE OF PROCEEDS

The net proceeds of each issue of Notes will be used by the Issuer for general corporate purposes.

SELECTED FINANCIAL INFORMATION OF THE ISSUER AND OVERVIEW OF THE GROUP'S FINANCIAL CONDITION

Presentation of financial information

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

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

On 24 July 2018, the Group published the Unaudited Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2018, which are incorporated by reference in this Base Prospectus. They were prepared in accordance with IFRS 9. IFRS 9 introduces a new impairment model based on the concept of "expected credit losses", changes to the rules of classification and measurement of financial instruments (particularly of financial assets) as well as a new approach towards hedge accounting.

The Group has utilised the provisions of IFRS 9 that permit exemption from the obligation to transform comparative data for prior periods in relation to changes resulting from classification, measurement and impairment. The Group also introduced changes to the financial statements to adjust the presentation of financial data to reflect the new categories introduced by IFRS 9.

As at 1 January 2018, differences in the carrying amount of financial assets and liabilities resulting from the application of IFRS 9 were recognised as a part of undistributed financial result from previous years and other components of equity in the Group's equity. As a result the Group’s total equity as of 1 January 2018 decreased by PLN 254,454 thousand.

Selected financial information

For the year ended 31 December 2017, the Group's total income (calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, gains less losses from investment securities, investments in subsidiaries and associates, net gains on subordinated entities and other operating income) reached PLN7,763.7 million, compared to PLN7,606.1 million for the year ended 31 December 2016, which represents an increase of 2.07 per cent. The increase was mainly driven by higher net interest income.

As in the year ended 31 December 2016, net interest income was the Group's largest income source in the year ended 31 December 2017 (67.97 per cent. of total income). In the year ended 31 December 2017, net interest income reached PLN5,276.9 million, compared to PLN4,770.4 million in the previous year (an increase of 10.62 per cent.). The increase in net interest income was driven by higher interest income.

For the year ended 31 December 2017, interest income grew by 7.73 per cent. to PLN6,529.3 million (compared to PLN6,060.9 million for the year ended 31 December 2016). With a share of 80.85 per cent., loans and advances were the main source of the Group's interest income. For the year ended 31 December 2017, interest income from loans and advances increased by 8.70 per cent. to PLN5,279.0 million (compared to PLN4,856.5 million for the year ended 31 December 2016). This growth resulted mainly from a growing volume of loans. In the third quarter of 2017, a range of special deals was launched across all channels to support the sale of retail loans, often bundled with other products. It led to an increase of cash loan sales by 5.9 per cent. The cash loan portfolio grew by 5.78 per cent. to PLN7.6 billion. For the year ended 31 December 2017, interest income from debt securities included in investment portfolio available for sale increased by 7.72 per cent. to PLN627.4 million, compared with PLN582.5 million for the year ended 31 December 2016.

The decrease in interest expenses for the year ended 31 December 2017 of 2.96 per cent. compared to the previous year was related mainly to lower interest expenses arising from amounts due to customers (individuals and enterprises) (a decrease of 11.32 per cent.). Interest expenses arising from repo transactions increased by 48.03 per cent. to PLN54.4 million as a result of increase in the number of repo operations. There was an increase of 29.76 per cent. in expenses relating to the Group's debt securities for the year ended 31 December 2017, amounting to PLN197,1 million (compared with PLN151.9 million for the year ended 31 December 2016), as a result of an increase in the value of the Group's outstanding debt securities.

The Group's net fee and commission income increased by 5.14 per cent. to PLN2,013.1 million, compared with PLN1,914.7 million for the year ended 31 December 2016.

The Group's fee and commission income increased by 5.79 per cent. to PLN2,526.8 million for the year ended 31 December 2017 (compared with PLN2,388.5 million for the year ended 31 December 2016). Credit cards-related fees increased by 5.07 per cent to PLN169.5 million for the year ended 31 December 2017 (compared with PLN161.4 million for the year ended 31 December 2016), driven by increases in the Group's number of clients and credit cards, and increases in the volume of transactions. Credit-related fees and commissions increased by 18.31 per cent. to PLN316.1 million for the year ended 31 December 2017 (compared with PLN267.2 million for the year ended 31 December 2016) due to an increase in the Group's generation of loans. Commissions for agency services in connection with the sale of insurance products of external financial entities decreased by 24.46 per cent. to PLN213.6 million for the year ended 31 December 2017 (compared with PLN282.7 million for the year ended 31 December 2016). The decrease in insurance fees was caused by the regulatory changes in the insurance sales model. Fees from brokerage activities and debt securities issuance increased by 18.40 per cent. to PLN102.6 million for the year ended 31 December 2017 (compared with PLN86.7 million for the year ended 31 December 2016). Commissions from bank accounts and money transfers decreased by 0.02 per cent. to PLN338.3 million for the year ended 31 December 2017 (compared with PLN338.4 million for the year ended 31 December 2016).

For the year ended 31 December 2017, fee and commission expenses grew by 8.43 per cent. to PLN513.7 million compared to PLN473.7 million for the year ended 31 December 2016.

Dividend income amounted to PLN76.8 million for the year ended 31 December 2017, compared with PLN96.6 million for the year ended 31 December 2016.

The Group recorded net trading income of PLN195.0 million for the year ended 31 December 2017, which represented a decrease of 30.57 per cent. compared with the year ended 31 December 2016. In the derivatives and foreign exchange interbank transactions market, the Group generated a profit of PLN153.0 million as compared to PLN254.4 million in 2016. This component of net trading income excludes net interest income from the CIRS and IRS transactions designated as hedging instruments under the fair value hedge and the cash flow hedge accounting (PLN230.9 million for 2017 as compared to PLN315.6 million for 2016), which is treated as interest income. Other foreign exchange related income was PLN43.7 million, as compared to PLN20.2 million as at 31 December 2016. Debt and equity securities trading recorded a loss of PLN1.7 million compared to a profit of PLN 6.2 million as at 31 December 2016.

Gains less losses on investment securities for the year ended 31 December 2017 recorded a profit of PLN47.5 million, compared with a profit of PLN402.8 million for the year ended 31 December 2016. In 2017, gains on equity instruments available for sale were PLN26.5 million, including PLN13.5 million arising from the sale of all shares in PBG, PLN10.8 million representing the sale of all shares in Polimex Mostostal and PLN2.1 million is connected with the sale of the entire stake in WSE from the bank's available-for-sale portfolio of equity investments. Corresponding gains in 2016 were PLN317.8 million, including PLN316.0 million of the remuneration for the Bank's and Santander Consumer Bank S.A.'s (**SCB**) share in Visa Europe Ltd. Gains on disposal of available-for-sale debt instruments (mainly treasury bonds and BGK bonds) were PLN 20.8 million, a PLN72.4 million decrease as compared to 31 December 2016.

Other operating income amounted to PLN150.6 million for the year ended 31 December 2017, representing an increase of 6.98 per cent. from PLN140.8 million for the year ended 31 December 2016.

For the year ended 31 December 2017, the Group's total general and administrative expenses was PLN1,376.8 million, which represented a 3.40 per cent. decrease in comparison with the previous year (PLN1,424.9 million for the year ended 31 December 2016). Staff-related expenses increased by 3.50 per cent. to PLN1,562.6 million for the year ended 31 December 2017 (compared with PLN1,510.4 million for the year ended 31 December 2016), mainly due to an increase in remuneration costs. The number of full-time employees decreased to 14,383 as at 31 December 2017.

The Group's contribution to the BGF, the KNF and the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) decreased by 20.33 per cent. to PLN224.2 million for the year ended 31 December 2017, compared with PLN281.4 million for the year ended 31 December 2016, mainly as a result of modifications in the method for calculation of contributions to the BGF from the beginning of 2017.

As a result of changes in income and expenses, the cost to income ratio for the year ended 31 December 2017 was 43.4 per cent. (compared with 46.2 per cent. for the year ended 31 December 2016). The cost to income ratio is calculated by dividing total costs by total income.

For the year ended 31 December 2017, the Group's impairment losses on loans and advances amounted to PLN690.5 million, a decrease of 12.00 per cent. compared with PLN784.6 million for the year ended 31 December 2016. As at 31 December 2017, the Bank's non-performing loans ratio (calculated by dividing the gross carrying value of loans and advances to customers with recognised impairment by the gross carrying value of loans and advances to customers) stood at 5.8 per cent. compared to 6.6 per cent. as at 31 December 2016.

The Group's profit before income tax for the year ended 31 December 2017 was PLN3,335.2 million compared to PLN3,122.0 million for the year ended 31 December 2016. The Group's gross return on equity declined from 12.8 per cent. as at 31 December 2016 to 12.2 per cent. as at 31 December 2017.

The Group's net profit attributable to owners of the Bank for the year ended 31 December 2017 was PLN2,213.1 million, representing an increase of 2.13 per cent. compared to previous year.

The Group's capital adequacy ratios increased in the year ended 31 December 2017. As at 31 December 2017, the TCR stood at 16.69 per cent. compared with 15.05 per cent. as at 31 December 2016. The Common Equity Tier 1 capital ratio was 15.28 per cent. as at 31 December 2017, compared with 14.56 per cent. as at 31 December 2016. The consolidated leverage ratio calculated in accordance with the provisions of the CRR Regulation with regard to the leverage ratio, including provisions regarding transitional period, amounted to 11.62 per cent. (compared with 10.53 per cent. in the previous year).

Alternative Performance Measures

The Base Prospectus includes certain data which the Issuer considers to constitute alternative performance measures (**APMs**) for the purposes of the European Securities Markets Authority (**ESMA**) Guidelines on Alternative Performance Measures.

These APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of the Issuer's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Issuer's liquidity.

APM	Definition
Credit risk ratio	Calculated by dividing impairment losses by average gross loans and advances to customers at the end of the current accounting year and the preceding year.

Customer net loans/customer deposits	Calculated by dividing the net loans and advances to customers at the end of the current accounting year by deposits from customers at the end of the current accounting year.
Net interest margin	Calculated by dividing annual net interest income by average interest earning assets (calculated based on the balance at the end of the previous accounting year and at the end of the current accounting year). Interest earning assets are a sum of net loans and advances to customers (excluding other receivables), loans and advances to banks, balances with central banks, buy-sell back transactions and debt investment securities.
NPL Coverage ratio	Calculated by dividing the allowance for impaired loans and advances at the end of the current accounting year by total gross impaired loans and advances to customers at the end of the current accounting year.
NPL ratio (Non-performing loans ratio)	Calculated by dividing gross impaired loans and advances to customers at the end of the current accounting year by total gross loans and advances to customers at the end of the current accounting year.
ROA (Return on assets)	Calculated by dividing net annual profit attributable to owners of the Issuer by average total assets (calculated based on the balance at the end of the previous accounting year and at the end of the current accounting year).
ROE (Return on equity)	Calculated by dividing the net annual profit attributable to owners of the Issuer by the average equity (calculated based on the balance at the end of the previous accounting year and at the end of the current accounting year), net of non-controlling interests, current period profit and undistributed portion of the profit.
ROTE (Return on tangible equity)	Calculated by dividing net annual profit attributable to owners of the Issuer by the average tangible equity at the end of the current reporting year and the preceding year, where tangible equity is defined as common equity attributable to owners of the Issuer less the revaluation reserve, current period profit, intangible assets, goodwill and undistributed portion of the profit.
Total costs/total income	Calculated by dividing total operating expenses by total income, where total operating expenses comprise staff, operating and management costs, depreciation/amortisation and other operating expenses, and total income is a sum of net interest income, net fee and commission income, dividend income, net trading income and revaluation, net gains/losses on subordinated entities, gains/losses on other financial securities and other operating income. The Group's total income for 2016 is adjusted to eliminate impact of the remuneration earned by the Bank and SCB as a result of the acquisition transaction involving Visa Europe Ltd. (PLN316.0 million).
Net interest income/Total income	Calculated by dividing net annual interest income by total income where total income is a sum of net interest income, net fee and commission income, dividend income, net trading income and revaluation, net gains/losses on subordinated entities, gains/losses on other financial securities and other operating income. The Group's total income for 2016 is adjusted to eliminate impact of the remuneration earned by the Bank and SCB as a result of the acquisition transaction

involving Visa Europe Ltd. (PLN316.0 million).

Net commission income/Total income	Calculated by dividing net fee and commission income by total income, where total income is a sum of net interest income, net fee and commission income, dividend income, net trading income and revaluation, net gains/losses on subordinated entities, gains/losses on other financial securities and other operating income. The Group's total income for 2016 is adjusted to eliminate impact of the remuneration earned by the Bank and SCB as a result of the acquisition transaction involving Visa Europe Ltd. (PLN316.0 million).

The Issuer believes that the above measures provide useful information to investors for the purposes of evaluating the financial condition and results of operations of the Group, the quality of its assets and the fundamentals of its business.

In particular:

(a) the ratios presented by the Issuer are aimed at quantifying certain aspects of the Issuer's business and its strengths within the context of the Polish banking system; and

(b) the alternative performance measures, although not required by law in the preparation of financial statements, allow for comparisons with other banks, over different periods of time and between the Issuer and the average industry standards.

However, the Issuer's use and method of calculation of APMs may vary from other companies' use and calculation of such measures.

Group financial information for the years ended 31 December 2017 and 31 December 2016

Consolidated Income Statements

	Year ended 31 December	
	2017	**2016**
	(PLN thousands)	
Interest income	6,529,307	6,060,920
Interest expenses	(1,252,410)	(1,290,548)
Net interest income	**5,276,897**	**4,770,372**
Fee and commission income	2,526,814	2,388,464
Fee and commission expenses	(513,688)	(473,744)
Net fee and commission income	**2,013,126**	**1,914,720**
Dividend income	76,816	96,582
Net gains on subordinated entities	3,757	100
Net trading income and revaluation	194,974	280,820
Gains (losses) from other financial securities	47,502	402,774
Other operating income	150,587	140,764
Impairment losses on loans and advances	(690,473)	(784,590)
Operating expenses, including:	(3,372,414)	(3,367,721)
Bank's staff, operating expenses and management costs	*(2,939,432)*	*(2,935,229)*
Depreciation/amortisation	*(318,933)*	*(277,220)*
Other operating expenses	*(114,049)*	*(155,272)*
Operating profit	**3,700,772**	**3,453,821**
Share in net profits of entities accounted for by the equity method	58,264	55,439
Tax on financial institutions	(423,815)	(387,206)

Profit before tax	**3,335,221**	**3,122,054**
Corporate income tax	(816,707)	(737,962)
Consolidated profit for the period	**2,518,514**	**2,384,092**
of which		
attributable to owners of the Bank	*2,213,054*	*2,166,847*
attributable to non-controlling interests	*305,460*	*217,245*
Net earnings per share (PLN/share)		
Basic earnings per share	22.29	21.84
Diluted earnings per share	22.25	21.80

Consolidated statements of comprehensive income

	Year ended 31 December	
	2017	**2016**
	(PLN thousands)	
Consolidated profit for the period	**2,518,514**	**2,384,092**
Other comprehensive income which can be transferred to the profit and loss account:	**452,578**	**(510,064)**
Available-for sale financial assets valuation, gross	533,774	(738,327)
Deferred tax	(101,417)	140,282
Cash flow hedges valuation, gross	24,964	108,618
Deferred tax	(4,743)	(20,637)
Other comprehensive income which can't be transferred to the profit and loss account	**(7,622)**	**5,556**
Provision for retirement allowances - actuarial gains/losses, gross	(9,410)	6,859
Deferred tax	1,788	(1,303)
Other comprehensive income for the period, net of income tax	**444,956**	**(504,508)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,963,470**	**1,879,584**
Attributable to:		
owners of the Bank	*2,651,427*	*1,666,087*
non-controlling interests	*312,043*	*213,497*

Consolidated statements of financial position

	As at 31 December	
	2017	**2016**
	(PLN thousands)	
ASSETS		
Cash and balances with central banks	4,146,222	4,775,660
Loans and advances to banks	2,136,474	3,513,278
Financial assets held for trading	3,416,108	3,180,985
Hedging derivatives	218,061	67,645
Loans and advances to customers	107,839,897	103,068,538
Financial assets available for sale	28,415,812	29,307,878
Investments in associates	889,372	871,491
Intangible assets	490,327	486,762
Goodwill	1,712,056	1,688,516
Property, plant and equipment	930,717	878,298

	As at 31 December

	2017	2016
Net deferred tax assets	1,414,227	1,534,322
Assets classified as held for sale	103	629
Other assets	1,065,068	725,714
Total assets	**152,674,444**	**150,099,716**
LIABILITES AND EQUITY		
Deposits from banks	2,783,083	2,561,281
Hedging derivatives	578,798	2,023,344
Financial liabilities held for trading	1,237,704	1,809,060
Deposits from customers	111,481,135	112,522,457
Sell-buy-back transactions	2,650,846	1,632,613
Subordinated liabilities	1,488,602	440,457
Debt securities in issue	5,895,814	5,529,187
Current income tax liabilities	192,925	84,151
Provisions	153,134	130,128
Other liabilities	2,868,774	2,348,562
Total liabilities	**129,330,815**	**129,081,240**
Equity		
Equity attributable to owners of the Bank	**21,907,220**	**19,780,827**
Share capital	993,335	992,345
Other reserve capital	16,920,129	15,791,555
Revaluation reserve	714,466	276,093
Retained earnings	1,066,236	553,987
Profit for the current period	2,213,054	2,166,847
Non-controlling interests in equity	**1,436,409**	**1,237,649**
Total equity	**23,343,629**	**21,018,476**
Total liabilities and equity	**152,674,444**	**150,099,716**

Selected financial ratios of the Group

	2017	2016
Total costs/Total income	43.4%	46.2%
Net interest income/Total income	68.0%	65.4%
Net interest margin	3.81%	3.62%
Net commission income/Total income	25.9%	26.3%
Customer net loans/Customer deposits	96.7%	91.6%
NPL ratio	5.8%	6.6%
NPL coverage ratio	63.1%	59.0%
Credit risk ratio	0.63%	0.75%
ROE	12.2%	12.8%
ROTE	14.3%	15.3%
ROA	1.5%	1.5%
Capital ratio	16.69%	15.05%
Tier I ratio	15.28%	14.56%
Book value per share (in PLN)	235.0	211.8
Earnings per share (in PLN)	22.3	18.7

DESCRIPTION OF THE GROUP

Overview

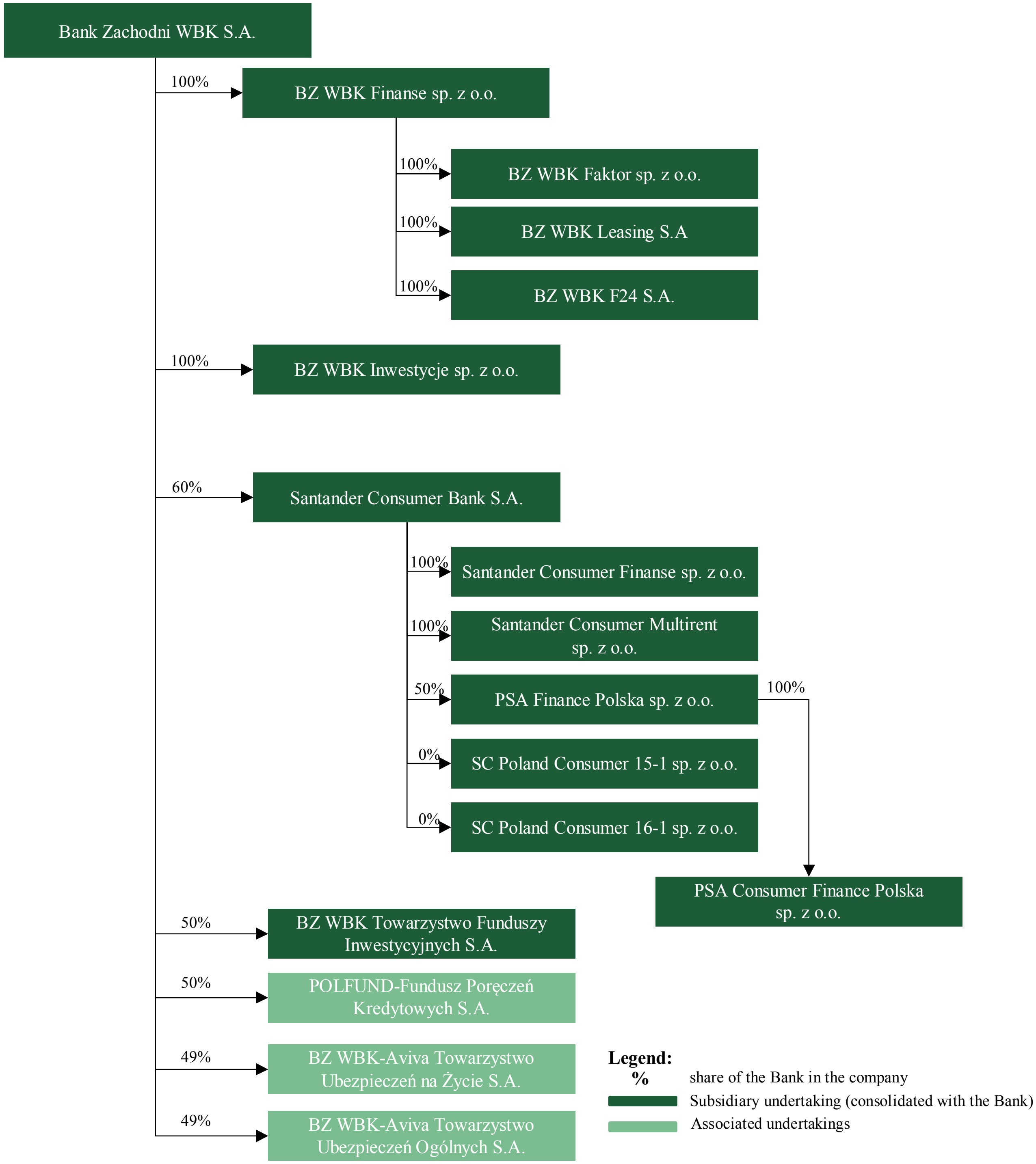
The Group is one of the largest financial services groups in Poland, providing retail, corporate and investment banking as well as other financial services. Based on the financial information for the year ended 31 December 2017 published by Polish banks, the Group was Poland's third largest banking group in terms of total assets, equity, deposits, loans and profit before tax. Based on the Management's Board assessment, the Group had approximately 6.5 million customers in Poland as at 31 December 2017. In 2017, the Group generated a consolidated profit before tax of PLN3.3 billion. As of 31 December 2017, the Group's total assets were PLN153 billion, it had cash and balances with central bank of PLN4.146 billion, and a capital adequacy ratio of 16.69 per cent.

The main products and services which the Group provides to retail customers, including private banking customers, comprise in particular current and saving accounts, business accounts for microbusinesses, credit products, deposit products, payment cards, investment products, insurance products (including bancassurance products), brokerage services, and leasing for microbusinesses. The Group offers a wide variety of credit products to its retail customers, including consumer loans, mortgage loans and brokerage lines. On the deposit side, the Bank focuses on savings and current accounts as well as term deposits. The Bank also offers its retail customers brokerage products, investment funds, transaction services and foreign exchange services.

The Group's range of products and services for corporate clients is focused on transactional banking products and services, primarily business accounts, local and foreign transfers, payment cards, cash services and liquidity management products. They are combined with business financing products which are used as a means for maintaining long-term banking relationships with clients and a platform for cross-selling more sophisticated non-capital intensive products and services, such as hedging instruments, services relating to capital markets and mergers and acquisitions, as well as factoring and leasing.

The Bank is a joint-stock company (*spółka akcyjna*) whose shares are traded on the regulated market of the WSE. It is entered in the register of entrepreneurs of the National Court Register under number 0000008723 and its registered office is in Wrocław at ul. Rynek 9/11, 50-950 Wrocław, Poland. Its telephone number is +48 71 393 84 43. The principal acts of law governing the Bank's operations are the Banking Law and the Commercial Companies Code dated 15 September 2000.

Set out below is the structure of the Group as at 31 December 2017:



History

Bank Zachodni S.A. (**BZ**) and Wielkopolski Bank Kredytowy S.A. (**WBK**), the Bank's predecessors, were spun off the NBP in 1989 as part of the transformation of the Polish economy onto a free market footing. From 1995 to 1999, the Allied Irish Banks group (**AIB**) acquired a majority stake in both BZ and WBK from the State Treasury of the Republic of Poland.

The Bank was created as a result of the merger of BZ and WBK. It was entered in the National Court Register on 13 June 2001.

In 2001, shares in the Bank were offered to the public in an initial public offering. AIB was the majority shareholder of the Bank and held approximately 70 per cent. of the shares.

On 1 April 2011, AIB sold its entire stake in the Bank to Santander.

On 11 May 2012, Santander and KBC Bank NV, a majority shareholder of the Polish bank Kredyt Bank S.A. (**Kredyt Bank**), signed a merger plan relating to the Bank and Kredyt Bank. On 4 January 2013, the merger of both banks was entered in the National Court Register. Under the merger, the Bank acquired all of the assets of Kredyt Bank.

On 27 November 2013, the Bank acquired 60 per cent. of shares in SCB from Santander and Santander Consumer Finance.

On 14 December 2017, the Bank and Santander signed an agreement with Deutsche Bank AG (**DB AG**) to purchase a part of Deutsche Bank Polska S.A.'s (**DB PL**) business, consisting of retail banking, private banking, SME banking and securities brokerage (**Core DB PL**). DB PL's corporate and investment banking business and foreign-currency mortgage portfolio are excluded from the transaction and will remain with DB PL. The transaction is expected to close in the fourth quarter of 2018. The purchase price for Core DB PL is PLN1.290 billion. 80 per cent. of the purchase price will paid in the Bank's shares to be issued to DB AG, which will represent 2.7 per cent. of shares in the Bank's share capital, and 20 per cent. of the purchase price will be paid in cash. The Bank's assessment of the Core DB PL business led the Bank to believe that the acquisition of Core DB PL will strengthen the Bank's position in the Polish banking sector, in particular in private banking, affluent individuals and SME segments.

Recent developments

Rebranding

On 16 May 2018, the Bank's General Meeting adopted a resolution on changing the Bank's name and registered office. The new name of the Bank will be "Santander Bank Polska S.A." and the Bank's registered office will be moved from Wrocław to Warsaw. The change of name and registered office will be effective in September 2018, once the new name and office of the Bank are entered in the National Court Register. Following the registration of the new name, the Bank will commence a comprehensive rebranding and a countrywide marketing campaign in traditional and digital media promoting the new brand. The names of the Bank's subsidiaries will also be changed to conform to the new branding.

The Bank believes that the new name will enable the Bank to strengthen its market position and refresh the Bank's image as a modern financial institution which is able to adapt to the clients' needs and benefits from the international reach and vast experience of the Santander group. The Bank estimates that the total costs of the rebranding should not exceed PLN70 million.

Mortgage bank

The Bank has commenced the process of establishing a mortgage bank, which will be a wholly-owned subsidiary of the Bank. The purpose of establishing the mortgage bank is to enable the Group to finance its operations by issuances of covered bonds based on residential mortgage loans originated by the Group. The Bank filed the application for the mortgage bank's banking licence with the KNF on 9 March 2018. The Bank expects that the first issuance of covered bonds by the mortgage bank will take place in the first half of 2019.

The Bank believes that the establishment of the mortgage bank and financing the Group's operations through the issuances of mortgage bonds will enable the Group to reduce the Group's cost of funding and reduce the gap between the average maturity of loans advanced by the Group and the tenor of the sources of the Group's funding.

Ratings

As at the date of this Base Prospectus, the Bank has the following ratings:

Fitch Polska S.A.

Category	Rating	Outlook
Long-term IDR	BBB+	stable
Short-term IDR	F2	-
Viability rating	bbb+	-
Support rating	2	-
National long-term rating	AA(pol)	stable
Senior unsecured debt	AA(pol)	-

Moody's Investors Service Ltd.

Category	Rating	Outlook
LT bank deposits	A3	positive
ST bank deposits	P-2	-
Adjusted baseline credit assessment	baa2	-
Baseline credit assessment	baa3	-
LT counterparty risk assessment	A2_cr_	-
ST counterparty risk assessment	AA(pol)	-

Strategy

In 2017, the Bank's Management Board adopted a new strategy for 2018–2020. The new strategy is focused on the Bank's transformation, in particular commercial transformation, business model transformation, digital transformation, customer relationship content management and centralised data management. The Bank's strategic goal is to become the best financial institution in Poland for retail and corporate customers and the best employer in the Polish banking sector.

As part of its strategic vision, the Bank will aim towards the following goals:

- become a leading bank in Poland in terms service quality (measured through net promoter score), focusing on customer needs and expectations;

- anticipate clients' needs and respond to them with tailored products, services and solutions;
- build long-term relationships with customers based on trust, loyalty and enhanced customer experience;
- modernise banking services through digital transformation, including end-to-end processes and changes to the operating model towards a more effective and less capital-intensive one;
- create an engaging work environment through collaboration, communication and bottom-up initiatives in all of the Bank's units;
- grow more quickly than its peers; and
- become the best retail and commercial bank in Poland earning the lasting loyalty of people, customers, shareholders and communities.

The Bank's key strategic programme is the Bank's transformation in the following areas:

- commercial transformation, which is focused on developing a business model that will ensure positive customer experience, help simplify products and support optimisation of processes, pricing policies and the new distribution strategy;
- business model transformation which is focused on increasing the effectiveness of the Bank's organisation;
- digital transformation, which covers initiatives aimed at improving customer service and developing end-to-end solutions which will be available to customers in all channels anytime and anywhere. The digital transformation initiatives include:
  - digitalisation of various banking processes;
  - development of customer-friendly solutions in internet, mobile and telephone banking;
  - improving the CRM system to ensure more effective communication with clients;
  - transforming the iBiznes24 remote banking platform into a leading remote banking platform for corporate customers; and
  - implementing the 4Sure programme which is a strategic programme promoting the sales of insurance products to retail and SME customers.

Competitive strengths

The Group has stable sources of funding, a solid capital and liquidity position and a diversified asset portfolio. The Group's competitive position has been supported by a clear strategic vision, an efficient business model, a broad and diversified scope of business as well as benefits and synergies achieved by the Bank as a member of Santander Group. The business scale, quality of products and services and strong focus on building lasting relationships with customers, allow the Group to compete successfully with the largest players in the Polish banking market. At the same time, a wide array of complementary services for respective customer segments, a large Poland-wide branch network, modern banking technologies and rapidly expanding functionality and integration of remote distribution channels give opportunity for further market penetration. The Group continued to strengthen its presence in the factoring and leasing markets via its subsidiaries, holding a market share of 12.6 per cent. and 6.1 per cent., respectively (according to the Polish Factors Association and the Polish Leasing Association). At the same time, the Group's share in the retail investment funds market was 10.4 per cent. (according to Analizy Online) while in the total equity and futures markets it was 4.6 per cent. and 10.0 per cent., respectively (according to the WSE).

Business

The Group offers a broad range of retail, corporate and investment banking services and products to individual retail customers, small and medium enterprises, large corporates and public sector entities, including local authorities. The Group's operations are divided into the following reporting segments:

- Retail Banking, which comprises a wide range of products and services to individual clients and small and medium companies. It also covers asset management services through investment funds and private portfolios. Additionally, it includes insourcing services offered to retail customers under agreements with other financial institutions.

- Business & Corporate Banking, which comprises a wide range of banking services, including deposits and lending, cash management, leasing, factoring, trade financing and bank guarantees, offered to business clients, local governments and public sector entities.

- Global Corporate Banking, which comprises a wide range of products and services, including investment banking services, for the largest local and international corporates.

- Assets and Liabilities Management (**ALM**) and Centre, which comprises the central operations of the Group, including liquidity, interest rate and foreign exchange risk management, and the Group's strategic investments and transactions which cannot be assigned to another segment.

- Santander Consumer, which comprises consumer loan products, including car loans, credit cards and car lease products to individual and business clients.

The table below shows certain segment information for 2016 and 2017 which is derived from note 3 to the 2017 Consolidated Financial Statements. For a more detailed description of how the segment information has been prepared, see note 3 to the 2017 Consolidated Financial Statements.

2017	Retail Banking	Business & Corporate Banking	Global Corporate Banking	ALM and Centre	Santander Consumer	Total
			(PLN thousand)			
Net interest income	2,495,841	519,490	205,591	703,821	1,352,154	5,276,897
Net fee and commission income	1,392,788	256,186	229,255	(2,504)	128,401	2,013,126
Other income	74,153	70,304	86,560	99,116	66,687	396,820
Dividend income	-	-	546	76,249	21	76,816
Operating costs	(1,916,292)	(285,103)	(217,611)	(88,933)	(545,542)	(3,053,481)
Profit before tax	1,377,497	453,121	276,992	407,831	819,780	3,335,221

2016	Retail Banking	Business & Corporate Banking	Global Corporate Banking	ALM and Centre	Santander Consumer	Total
			(PLN thousand)			
Net interest income	2,246,151	563,216	184,569	620,009	1,156,427	4,770,372
Net fee and commission income	1,332,229	209,167	203,125	(6,804)	177,004	1,914,721
Other income	68,930	90,043	138,046	495,583	31,856	824,458
Dividend income	-	-	531	96,041	10	96,582
Operating costs	(1,935,000)	(300,735)	(195,019)	(155,490)	(504,257)	(3,090,501)
Profit before tax	1,088,287	386,908	315,808	716,920	614,131	3,122,054

Retail Banking

Overview

The retail banking segment is divided into two divisions: the retail banking division and the SME banking division.

Retail banking division

The retail banking division offers a full range of banking products for individual customers. The key products include current and savings accounts, deposits, lending products (retail mortgage loans and non-mortgage loans), credit and debit cards, and insurance products. The customers are assigned to Standard, Premium, VIP and Private Banking segments. The principal difference between the segments is the level of personalisation of services offered to clients.

Personal accounts

As at 31 December 2017, the Bank maintained almost four million personal accounts, including foreign currency accounts. The most popular personal account is the "Account As I Want It", a product which allows the customer to customise additional services and options bundled with the account. This account has replaced various types of personal accounts previously offered and is a key element of simplifying the Bank's product offering. From 21 August 2017 to 31 December 2017, clients opened approximately 335,000 accounts of this type.

Together with personal accounts, the Bank offers its customers Visa and MasterCard debit cards. Thanks to the online banking platform, the cardholders can modify the card parameters on their own. As at 31 December 2017, the Bank's personal debit card portfolio was 3.4 million cards, a 6.1 per cent. increase on 2016.

Due to the growing number of Ukrainian nationals who are resident in Poland, but often do not speak Polish, the Bank has Ukrainian language versions of its marketing materials and products terms and conditions, and has launched a dedicated telephone banking service in Ukrainian.

Savings and investment products

The Bank's deposit products cover a wide range of possibilities, including a variety of deposit accounts and term deposits. Private banking and VIP customers have the ability to negotiate the terms of savings products with the Bank. As at 31 December 2017, the aggregate deposits amount from individuals was PLN59.3 billion, a 2.5 per cent. increase on 2016. The balance of savings accounts was PLN25 billion, which represented a 6.9 per cent. increase on 2016. In 2017, the Bank achieved the target structure of its deposit portfolio, with 72.4 per cent. of customers' funds deposited in current and savings accounts.

The retail banking segment offers its clients a variety of structured deposit products. The yield on these products is linked to exchange rates, stock exchange indices or investment funds' performance. All structured products offer complete protection of the deposited funds.

Brokerage products and investment funds

The brokerage products offered by the Bank's brokerage house, which is an independent unit in the Bank, are focused on investment advice and giving customers access to securities traded on foreign stock exchanges.

BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., a fund manager, manages a variety of investment funds under the "Arka" brand. Since 2017, customers have been able to purchase investment fund units through remote banking channels. Sales through remote channels constituted 67 per cent. of sales of investment fund units in 2017. As at 31 December 2017, the total net assets under management were almost PLN16.0 billion and increased by 19.5 per cent. compared to 2016.

Lending products

Customers of the retail banking segment have access to a variety of loan products, from credit cards and short-term cash loans to mortgage loans. In 2017, the value of the cash loan portfolio increased by 5.78 per cent. compared to 2016 and, as at 31 December 2017, it was PLN7.6 billion. The Group's mortgage loan portfolio grew by 2.74 per cent. to PLN34.8 billion as at 31 December 2017. The value of PLN-denominated mortgage originated by the Group loans grew by 16.10 per cent. and was PLN 24.3 billion, as at 31 December 2017. As at 31 December 2017, the number of credit cards issued by the Bank was 803,200, a 3.0 per cent. increase compared to 2016. The loans advanced to the customers of the retail banking segment are predominantly denominated in PLN. Only customers whose income is denominated in a foreign currency are eligible to apply for a loan denominated in that currency.

Bancassurance

The Bank offers its retail customers a full range of insurance products, both linked to credit and loans advanced by the Bank, and offered on an independent basis. The Bank is an agent of two affiliated insurance companies, BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.

SME Banking Division

Clients of the SME Banking Division are small and medium enterprises with an annual turnover of up to PLN40 million. Clients are divided into two groups: mass customers and customers with a significant annual turnover (from PLN5 million to PLN40 million) and more complex needs. Additionally, the Bank has commenced creating a separate digital segment for customers who prefer to access the banking services through remote channels. The Bank's goal in the SME Banking Division is to become a partner for its customers by offering advice and a wide array of non-banking services, for example industry analysis and specialist workshops and training.

The clients of the SME Banking division are offered a wide range of accounts customised for business needs. The Bank also offers an extensive choice of credit facilities, including working capital financing, investment loans, guarantees, leasing and factoring facilities. The offering is complemented by deposit and investment products, trade finance services and treasury services.

In July 2017, the Bank received the Euromoney Award for Excellence for the best bank in Poland for SMEs. In 2018, the responsibilities of the SME Banking Division and were divided between the Retail Banking Division and the Business and Corporate Banking Division. The clients in the mass customers group will be served by the retail banking division and the clients with the turnover exceeding PLN5 million will be serviced by the Business and Corporate Banking Group.

Leasing

Until 28 February 2017, leasing services were provided by two companies, BZ WBK Leasing S.A. (**BZ WBK Leasing**) and BZ WBK Lease S.A. (**BZ WBK Lease**). BZ WBK Leasing acquired BZ WBK Lease and is now a universal leasing company. It offers a wide range of asset financing to SMEs, corporate and large corporate customers. BZ WBK Leasing focuses on the lease of machines and equipment, property and vehicles. Insurance and fuel cards are offered as ancillary products.

In 2017, the value of fixed assets leased by BZ WBK Leasing reached almost PLN4.2 billion and the value of annual sales was the best result in the history of BZ WBK Leasing's operations.

Business and Corporate Banking

The Business and Corporate Banking Division serves business customers with an annual turnover exceeding PLN40 million and a credit exposure of more than PLN10 million. The customers of this division are divided into two groups: corporate segment and property finance segment.

As at 31 December 2017, the Business and Corporate Banking Division had approximately 8,700 clients operating in various sectors of the economy.

The Bank has begun to develop a comprehensive product range for the sectors it has identified as strategic to provide the clients in these sectors with services tailored to their needs. This initiative is based on the Bank's experience in the food and agriculture sector; the first sector identified by the Bank as strategically important.

Additionally, the Bank has taken a number of initiatives aimed at increasing its market profile, including participating in industry events, publishing in industry media, preparing reports and analyses for the Bank's customers, and providing training to its employees. The loans advanced to the customers of the Business and Corporate Banking Segment are denominated mostly in PLN. Loans denominated in foreign currencies are available only to companies which have revenues denominated in foreign currencies.

The Business and Corporate Banking segment also covers factoring services rendered by the Bank's subsidiary, BZ WBK Faktor sp. z o.o. (**BZ WBK Faktor**). The factoring services cover recourse and non-recourse factoring, domestic and foreign reverse factoring, bills of exchange discounting and confirming.

In 2017, the value of receivables purchased by BZ WBK Faktor was PLN23.4 billion, a 23 per cent. increase compared to 2016. According to the Polish Association of Factoring Companies, BZ WBK Faktor has a 12.6 per cent. market share in the Polish market and holds second position in the ranking of Polish factoring companies.

Global Corporate Banking

The Global Corporate Banking Division services the Bank's largest corporate customers in Poland as well as foreign corporates serviced by the global Santander Group Global Corporate Banking division. As at 31 December 2017, the Global Corporate Banking Division had 250 customers in Poland.

The Global Corporate Banking division offers an exhaustive range of products, including transactional banking, short-, mid- and long-term financing, underwriting, guarantees, M&A advisory, share issuances, liquidity management and custodian services. The Global Corporate Banking Division is split into the following units that cover separate business lines:

- Credit Markets providing medium- and long-term financing through credit facilities and bond issues;
- Capital Markets covering analytical and advisory services;
- Global Transactional Banking which provides financing and cash management services;
- Treasury Sales Department which offers various treasury products;
- Financial Market Transaction Department offering hedging instruments;
- Institutional Equities Department responsible for brokerage services; and
- Equity Research Department providing clients with research and reports.

ALM and Centre

ALM and Centre covers the Bank's central operations, such as financing other segments of the Group and managing liquidity, interest rates and foreign exchange risks. It also manages the Bank's strategic investments and handles transactions which cannot be assigned to other segments of the Group. ALM and Centre is also responsible for providing the Group's management with market analyses and supporting the Group's risk management units.

Santander Consumer

SCB is a bank focused on consumer finance, and provides credit facilities to households, car dealers and car importers. Its lending product portfolio covers cash loans, instalment loans, car loans, business loans and credit cards. It also provides car financing services for cars manufactured by the PSA group through its subsidiaries PSA Finance Polska sp. z o.o. and PSA Consumer Finance Polska sp. z o.o.

Although SCB is a subsidiary of the Bank, it is an independent bank with its own strategy, risk management process and product offering. Additionally, SCB has its own distribution network, independent of the Bank's distribution network. The key goal of SCB, set out in the SCB's strategy for the years 2018 – 2020 is to maintain a leading position (by market share) in the Polish consumer loans and car loans offered in cooperation with car dealerships. SCB intends to expand the scope of its car finance business, grow the lease business, maintain a high volume of cash loans and develop the remote banking channels.

As at 31 December 2017, the gross amount of loans and cash advances provided by SCB and its subsidiaries was PLN15.5 billion and was 3.3 per cent. higher than in 2016. The amount of deposits as at 31 December 2017 was PLN8.1 billion, a 1.3 per cent. decrease compared to 2016.

Distribution Network

The Bank's distribution model is undergoing a change based on the principles set out in the Group's revised strategy. According to the strategy, the main factor contributing to the growth in the retail business will be the digital distribution channel. The main role of the branches will be to develop relationships with customers, promote digital distribution channels and sell more complex products.

As at 31 December 2017, the Bank had 576 branches, a decrease of 82 compared to 31 December 2016. Additionally, the Bank had 109 partner outlets offering certain of the Bank's products and services. The partner outlets are located mainly in small and medium towns.

To decrease customers' reliance on cash services provided by cashiers in branches, the Bank has continued the development of its ATMs and cash deposit machines' network. As at 31 December 2017, the Bank's ATM network comprised of 1,732 machines. 771 of the Bank's ATMs are able to accept cash deposits.

The Bank has been developing "BZ WBK24", its mobile and internet banking offering. The Bank is constantly expanding the range of products and services which are available to customers through remote channels. Additionally, in 2018, the Bank's customers will be able to purchase investment fund units through "BZ WBK24". The Bank has also enabled customers to access the portals run by the Polish government for the Polish citizens through "BZ WBK24" so that the customers are able to interact with the Polish administration through the Bank's internet banking channel.

As at 31 December 2017, the number of the Bank's digital customers, ie customers who at least once logged into the electronic banking system, was 2.1 million, a 4.5 per cent. increase compared to 31 December 2016. The number of users of the smartphone app increased by 26.7 per cent., to 1.1 million as at 31 December 2017.

The Bank has set up the Multichannel Communication Centre, which manages the various ways in which the customers can contact the Bank, such as helpline, internet chat, video call, email and online contact form. The purpose of the Multichannel Communication Centre is to facilitate interaction between the Bank and its customers, and encourage customers to purchase the Bank's products through remote distribution channels.

Santander Consumer distributes its products through its own branches and franchise outlets. Car loans are also distributed by mobile sales structures and a network of partner outlets. Certain products are also available through the remote banking channels. As 31 December 2017, Santander Consumer had 159 branches (163 as at 31 December 2016), 153 partner outlets (148 as at 31 December 2016) and 132,000 electronic banking users (4,000 as at 31 December 2016).

Capital management

The Bank's management board is responsible for the Group's capital management, including the assessment of capital adequacy in various economic conditions and the evaluation of stress tests results and their impact on the Group's internal capital and capital adequacy. The Bank's supervisory board oversees the internal capital estimations.

Under the CRR Regulation, the Bank has to satisfy the following own-fund requirements:

- a Common Equity Tier 1 capital ratio of 4.5 per cent.;
- a Tier 1 capital ratio of 6 per cent.; and
- a total capital ratio of 8 per cent.

As at 31 December 2017, the minimum capital ratios, taking into account the regulatory requirements and Pillar 2 requirements and capital buffers, were:

	Bank	**Group**
	(per cent.)	
Tier 1 capital ratio	11.16	11.08
Total capital ratio	14.29	14.19

The Bank uses a standardised approach to calculate the capital requirement for credit risk, market risk and operational risk. Under this approach, the total capital requirement for credit risk is calculated as the sum of risk-weighted exposures multiplied by 8 per cent. The exposure value for these assets is equal to the balance sheet total, while the value of off-balance sheet liabilities corresponds to their balance sheet equivalent. Risk-weighted exposures are calculated by applying risk weights to all exposures in accordance with the CRR Regulation.

The table below presents selected data concerning the capital ratios of the Bank and the Group as at the dates indicated below:

	Bank		**Group**	
	(per cent.)			
	31 December		**31 December**	
	2017	**2016**	**2017**	**2016**
Tier 1 capital ratio	18.95	16.52	15.28	14.56
Total capital ratio	17.37	16.08	16.69	15.01

The table below presents selected data concerning the capital ratios of SCB as at the dates indicated below:

	31 December	
	2017	**2016**
	(per cent.)	
Tier 1 capital ratio	17.19	16.22
Capital ratio	17.19	16.22

Borrowings

As of 31 December 2017, the Group had outstanding liabilities, under loans granted to the Group and debt securities issued by the members of the Group, of PLN12.23 billion. The table below gives primary information on the outstanding debt securities issued by the Group:

Issuer	Status	Currency	Principal amount	Interest rate	Issue Date	Maturity Date	Listing
Bank	Senior (certificates of deposit)	PLN	500 million	2.02 per cent.	26 April 2018	26 April 2019	n/a
Bank	Senior (certificates of deposit)	PLN	500 million	2.25 per cent.	27 June 2018	27 September 2019	n/a
Bank	Subordinated	EUR	100 million	Floating	5 August 2010	5 August 2025	n/a
Bank	Subordinated	EUR	120 million	Floating	2 December 2016	3 December 2026	n/a
Bank	Subordinated	EUR	137.1 million	Floating	22 May 2017	22 May 2017	n/a
Bank	Subordinated	PLN	1 billion	WIBOR + 1.60 per cent.	5 April 2018	5 April 2028	WSE
BZ WBK Faktor	Senior	PLN	850 million	Floating	18 April 2018	18 October 2018	n/a

Related Party Transactions

The Group entered into a number of related party transactions, including transactions between members of the Group and transactions with members of the Santander Group. The tables below show the related party transactions entered into by the Group as of 31 December 2017 and 31 December 2016:

Transactions with associates	**As at or for the year ended 31 December 2017**	**As at or for the year ended 31 December 2016**
	(PLN thousand)	
Assets	**93**	**70**
Other assets	93	70
Liabilities	**120,382**	**78,706**
Deposits from customers	90,102	78,414
Sell-buy-back transactions	30,044	-
Other liabilities	236	292
Income	**14,223**	**18,393**
Fee and commission income	14,223	18,393
Expenses	**6,654**	**10,924**
Interest expenses	1,806	1,313
Fee and commission expenses	3,020	3,230
Operating expenses	1,828	6,381

Transactions with Santander Group	with the parent company		with other entities	
	(PLN thousand)			
	As at or for the year ended 31 December		As at or for the year ended 31 December	
	2017	2016	2017	2016
Assets	**598,411**	**981,961**	**9,854**	**3,674**
Loans and advances to banks	308,691	594,042	9,831	274
Financial assets held for trading	282,036	387,727	-	3,371
Hedging derivatives	7,469	-	-	-
Other assets	215	192	23	29
LIABILITES	**403,807**	**633,941**	**86,720**	**262,160**
Deposits from banks	62,996	271,312	23,539	174,617
Hedging derivatives	-	54,503	-	-
Financial liabilities held for trading	322,933	308,126	-	7,365
Deposits from customers	-	-	52,577	71,079
Other liabilities	17,878	-	10,604	9,099
Income	**14,914**	**16,747**	**411**	**294**
Interest income	11,321	14,268	95	28
Fee and commission income	3,593	2,096	299	239
Other operating income	-	-	17	27
Net trading income and revaluation	-	383	-	-
Expenses	**84,818**	**1,721**	**76,712**	**28,899**
Interest expenses	1,050	446	2,298	2,211
Fee and commission expenses	1,171	1,106	205	281
Net trading income and revaluation	64,720	-	57,672	2,420
Operating expenses	17,877	169	16,537	23,987
Contingent liabilities	-	10,706	-	-
Sanctioned	-	10,706	-	-
Derivatives' nominal values	**51,859,866**	**57,761,351**	**-**	**634,312**
Cross-currency interest rate swap - purchased amounts	3,478,300	5,645,125	-	-
Cross-currency interest rate swap - sold amounts	3,414,864	5,424,101	-	-
Single-currency interest rate swap	18,298,033	16,517,900	-	633,412
Options	8,001,216	7,285,846	-	-
FX swap - purchased amounts	4,719,697	5,363,317	-	-
FX swap - sold amounts	4,762,299	5,344,715	-	-
FX options - purchased CALL	2,010,291	2,643,269	-	-
FX options - purchased PUT	1,950,686	2,798,804	-	-
FX options - sold CALL	2,026,149	2,755,705	-	-
FX options - sold PUT	2,211,749	2,824,233	-	-
Spot - purchased	162,894	162,456	-	-
Spot - sold	163,182	162,876	-	-
Forward- purchased amounts	138,027	101,365	-	-
Forward- sold amounts	135,771	74,665	-	900
Capital derivatives contract - purchased	386,708	656,974	-	-

Risk management

The following is a summary only of the Group's risk management system. For a more detailed discussion of the Group's risk management system, see Note 4 in the 2017 Financial Statement.

Overview

The Group's risk management system is a crucial component of the overall management of its activities and is designed to: (i) identify and assess the various risks associated with the activities of each of the Group's individual business lines and the Group as a whole; (ii) control and mitigate such risks; (iii) ensure that the Group's activities comply with regulatory requirements; and (iv) optimise the use of the Group's economic and regulatory capital.

The underlying principle of risk management is to optimise the allocation of the Group's available resources, being the available funding base, its own capital, and its ability to generate current profits to fund the achievement of its business goals, while ensuring liquidity and adequate capitalisation. Risk management addresses all the risk types relevant for the Group. In co-operation with the Group's subsidiaries, the Bank identifies and assesses all the risk types relevant from the point of view of the scale and scope of the Group's operations. Those measures result in an estimate of the capital necessary to cover the risk.

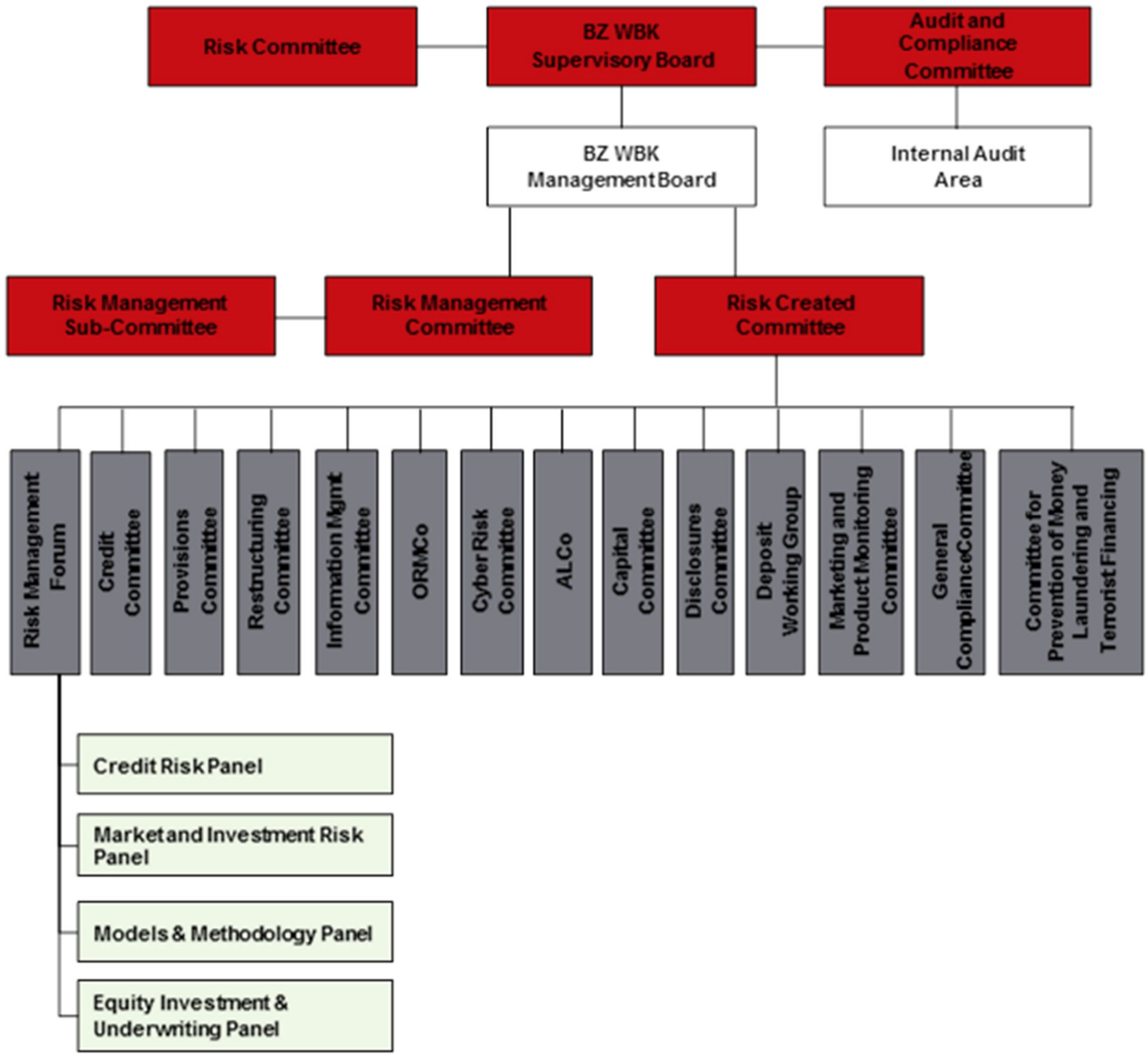
The risk management process takes place at every level of the Bank's operations: from individual business units, through specialised units responsible for identification, measurement, monitoring, control and mitigation of risk, to the major decision-making bodies: the Management Board and the Supervisory Board.

Individual risks are monitored and controlled by the relevant organisational units in the Bank and those of its subsidiaries. Internal policies and procedures have been implemented regarding the management, mitigation and reporting of these risks. In selected risk management areas, contingency plans and procedures have been implemented to address any particular risks and are intended to be applied if a particular risk increases significantly. In the process of risk identification, assessment and mitigation, the Group applies modern methodologies. These methods, as well as the IT systems used in the risk management process, are constantly reviewed and updated as necessary.

Risk appetite is defined within the Group as the maximum risk, in terms of both amount and structure, which the Bank is willing and able to incur in pursuing its business objectives under the going-concern scenario (beyond inherent, existential risks). Risk appetite resulting from the available capital and funding base is the starting point in the Bank's risk management, and thus impacts the budgeting process and the capital allocation process.

Internal Organisation

The chart below sets out the organisational structure of the Group's risk management system for all members of Group except for SCB and its subsidiaries:



The Supervisory Board, through its Audit and Compliance Committee and Risk Committee, exercises constant supervision over the Bank's operations in the risk taking area, which includes approving the risk management strategies and supervising their execution. It also reviews the key risk areas and the processes of identifying threats, defining remedial actions and monitoring their efficiency.

The Management Board is responsible for the effectiveness of the risk management. It is responsible for developing an organisational structure aligned with the level and profile of risk being taken and ensuring that the risk measurement and control function is separated from the operational activity. It is also responsible for implementing and updating the written risk management strategies. The Management Board fulfils its risk management role through the following committees:

- Risk Management Committee: an executive committee responsible for developing the Group's risk management strategy;

- Risk Management Sub-committee: a part of the Risk Management Committee which approves the key decisions taken by the lower level risk management committees; and

- Risk Control Committee: a committee which is responsible for monitoring the risk level across different areas of the Bank's operations and supervising the activities of the lower level risk management committees.

The following committees are responsible for developing the risk management methodology and monitoring risks in particular areas of the Group's operations:

- Credit Committee, which makes credit approval decisions in accordance with the applicable discretion levels;
- Provisions Committee, which decides on the amount of impairment losses on credit exposures and legal provisions. The Provisions Committee approves the methodology and parameters for calculating the impairments on portfolios at the Group level;
- Information Management Committee, which is responsible for the quality and organisation of data relating to the Bank's operations;
- Cyber Risk Committee, which serves as a forum for direct cooperation and communication between all units involved in the processes related to cyber security;
- Operational Risk Management Committee, which sets the strategic goals of the Group's operational risk management, including business continuity, information security and preventing fraud;
- Assets and Liabilities Committee, which supervises the banking book and is responsible for funding and balance sheet management, including the pricing policy;
- Capital Committee, which is responsible for managing the Bank's capital;
- Disclosures Committee, which verifies the Group's financial information regarding compliance with legal and regulatory requirements;
- Deposit Working Group, which monitors the growth of the savings and investment products portfolio;
- Product Marketing and Monitoring Committee, which is responsible for approving new products and services to be offered by the Group;
- Compliance Committee, which introduces standards of managing the compliance risk and the codes of conduct applied by the Group;
- Anti-Money Laundering and Terrorism Financing Committee, which approves the Group's policy on preventing money laundering and financing of terrorism, and monitors the Group's compliance in this area; and
- Restructuring Committee, which manages relationships with borrowers in distress and disposals of loan receivables.

Loan application process

The loan application process implemented by the Bank is a key element for managing the credit risk to which the Bank is exposed in connection with its lending activities. The loan application process is based on the credit policy adopted by the Group and its purpose is to ensure that the risk associated with granting new loans is within the limits acceptable to the Group.

The Bank has adopted credit limit guidelines to define the responsibilities of the Bank's organisational units and individual employees in the credit approval process.

The exact credit approval process which will be applied to a given client depends on the segment to which the client was assigned. The decision to grant a loan is taken by a credit officer. Each credit officer has its own personal limit, within which it can grant a loan without referring the matter to other committees of the Bank. This personal limit is determined on the basis of the knowledge and experience of the individual officer and the segment of the Bank's operations for which the officer is responsible.

Loans under which the Bank's exposure would exceed PLN25 million are referred to the Bank's credit committee. The credit committee is composed of holders of senior positions at the Bank. Additionally, the transactions under which the Bank's exposure would exceed PLN187.5 million must be approved by the Management Board's Risk Management Sub-Committee.

Loan collateral

The Bank has set up a separate unit, the Collateral and Credit Agreements Department, which is responsible for monitoring whether the security interests established in the Bank's favour effectively secure the Bank's interests and are in line with lending policies of various business segments. The scope and value of the required collateral depend on the type of the client and the type of the loan.

The table below shows what types of collateral are accepted by the Bank as security interests for various types of loans:

Type of financing	Type of collateral
Retail customers	
Cash loan	promissory note, guarantee, credit insurance
Loan backed by liquid assets	security deposit, cash blocked on a bank account, investment fund certificates
Student loan	surety
Housing loan	mortgage, credit insurance, security assignment of claims under insurance policies
Leasing	promissory note, guarantee, power of attorney to a bank account, pledge over moveable assets, mortgage, buy-back guarantee from the supplier of the leased assets
Business customers	
Commercial loan	security deposit, registered pledge, promissory note
Revolving loan	security assignment, promissory note, guarantee, registered pledge
Construction loan	mortgage
Investment loan	mortgage, surety, guarantee
Leasing	promissory note, guarantee, power of attorney to a bank account, pledge over moveable assets, mortgage, buy-back guarantee from the

supplier of the leased assets

Non-performing loans

The table below shows the quality of the Bank's credit portfolio as at 31 December 2017 and 31 December 2016. The Bank actively manages its non-performing loans portfolio by, for example, selling the loan portfolios to external non-performing loans managers.

Loans and advances to customers by impaired and non-impaired loan portfolios	**31 December 2017**	**31 December 2016**
	(in PLN million)	
Individually impaired (gross amount)	2,246.0	2,501.4
Allowance for impairment	(1,144.5)	(1,196.4)
Net amount (individually impaired)	**1,101.5**	**1,305.0**
Collectively impaired (gross amount)	2,477.6	2,883.6
Allowance for impairment	(1,530.2)	(1,544.5)
Net amount (collectively impaired)	**947.4**	**1,339.1**
IBNR portfolio (gross amount)	88,838.2	84,497.9
- non-past due	85,800.6	80,792.4
- past due	3,037.6	3,705.4
IBNR provisions	(357.4)	(341.6)
Net amount (non-impaired)	**88,480.8**	**84,156.3**
Other receivables	7.3	181.6
Total net loans and advances to customers	**90,537.0**	**86,982.0**
Impaired loan ratio	**5.0%**	**6.0%**
Impaired loan coverage ratio	**56.6%**	**50.9%**

Shareholders

Overview

As of the date of this Base Prospectus, the Bank's share capital is divided into 99,333,481 ordinary bearer shares with a nominal value of PLN10 each. Each share gives its holder the right to one vote at the Bank's General Meeting.

The Bank is a public company and its shares are listed on the regulated market of the WSE. Therefore, the Bank does not have detailed information on all of its shareholders. The Bank only receives information on its significant shareholders if these shareholders comply with the notification requirements prescribed by Polish law.

On the date of this Base Prospectus, Santander held 67,680,774 shares in the Bank, which constitutes 68.13 per cent. of the Bank's share capital and confers the right to 68.13 per cent. votes at the Bank's General Meeting.

The table below sets out information on the shareholding structure of the Bank as of the date of this Base Prospectus, based on the most recent notifications made to the Bank.

	Number of shares	**per cent. of voting rights at the General Meeting**
Santander	67,680,774	68.13
Nationale-Nederlanden Powszechny Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny managed by:	4,993,431	5.03

Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.		
Other shareholders	26,659,276	26.84
Total	**99,333,481**	**100**

Santander's control over the Bank

Nature of control

As a holder of the majority of voting rights at the Bank's General Meeting, Santander can exercise a decisive influence on the resolutions adopted by this body, and in particular on the resolutions on key issues relating to the Bank's organisation and operations, including: (a) appropriation of the profits/offsetting of losses incurred by the Bank; (b) approval of the due performance of their duties by the Bank's bodies; (c) appointments and dismissals of members of the Supervisory Board; (d) amendments to the Bank's statute; (e) increases and decreases in the share capital of the Bank; (f) redemption of shares; (g) utilisation of the supplementary capital and other reserves by the Bank; (h) issue of convertible bonds or bonds with a pre-emptive right; (i) determination of remuneration rules for Supervisory Board members; and (j) the Bank's liquidation, merger, demerger or transformation. Since Management Board members are appointed and dismissed by the Supervisory Board, Santander, by having a decisive influence on the composition of the Supervisory Board, can also directly influence the composition of the Management Board. On the date of this Base Prospectus, no entity other than Santander has control over the Bank.

In the opinion of the Bank, neither the Statute nor the by-laws of the General Meeting, Supervisory Board or Management Board contain any provisions which might delay, forestall or prevent a change of control over the Bank.

Mechanisms preventing an abuse of control

There are a number of legal instruments aimed at preventing an abuse of control over the Bank by its major shareholder specified in the Commercial Companies Code dated 15 September 2000 and the Act on Public Offerings dated 29 July 2005.

Dividend

The dividend per share approved by the Bank's general meeting was PLN5.40 for the financial year 2016 and PLN3.10 for the financial year 2017. In both cases the dividend was paid out from the retained profits from the previous financial years.

IT and operations

The Group has several IT systems, including systems supporting remote banking channels, product management, accounting, IT and HR support. The IT infrastructure meets market standards and is protected with a regularly tested business continuity solution (including a remote facility), data backup procedures, off-site data storage and sophisticated cyber-crime prevention software. Additionally, the Issuer is constantly monitoring the compliance of its IT systems with the relevant recommendations of the KNF.

In 2017, the Bank continued to upgrade and develop its IT infrastructure. The purpose of upgrading the IT infrastructure is not only to enhance the customer's experience and increase operational efficiency, but also to adapt the systems to new EU regulations concerning banking services, including the Payment Services Directive, MiFID2 and GDPR.

Litigation

To the best of the Bank's knowledge, as of 31 December 2017, the Bank was party to 1,106 court cases, in 696 of which it is the plaintiff and in 410 of which it is the defendant. The table below shows the value of all court cases in which the Bank is involved. No individual case's value exceeds 10 per cent. of the Group's equity.

	31 December 2017	31 December 2016
	(in PLN million)	
Amounts claimed by the Group	717.6	518.3
Claims against the Group	359.4	221.6
Receivables due to bankruptcy or arrangement proceedings	3.8	40.9
Value of all litigation	1,080.8	780.8
Share (in per cent.) of all litigation in the Group's equity	4.6	3.7
Completed significant court proceedings	532.5	451.7

Management and Employees

Management and Supervisory Bodies

In accordance with the Commercial Companies Code and the Banking Law, the Bank is managed by its Management Board and overseen by its Supervisory Board. The information provided below relating to the organisation, competencies and activities of the Management Board and the Supervisory Board has been prepared based on the provisions of the Commercial Companies Code, the Banking Law and the Bank's statute.

Management Board

The Management Board is the Bank's governing body.

The Management Board comprises at least three members appointed by the Supervisory Board for a joint term of office of three years. The Management Board is headed by the President.

At least half of the Management Board members, including the President, must hold a degree, have their permanent residence in Poland and have a proven command of Polish language. Additionally, at least half of the Management Board members, including the President, must demonstrate experience in the Polish market which might be applied to managing a bank and have in-depth knowledge of the Polish banking sector. Two Management Board members, including the President, are appointed with the consent of the KNF.

The President has the casting vote at the Management Board meetings at which there is an even number of votes cast in favour and against a Management Board resolution.

The Management Board is responsible for:

- adopting long-term plans and strategic objectives of BZ WBK;
- preparing assumptions for BZ WBK's business and financial plans;
- adopting decisions on disposals of BZ WBK's assets; and
- executing all powers concerning BZ WBK's operations which are not vested in other corporate bodies.

The members of the Management Board are set out below:

Name	Position
Michał Gajewski	President of Management Board
Andrzej Burliga	Vice-president of the Management Board
Michael McCarthy	Vice-president of the Management Board
Carlos Polaino-Izquierdo	Member of the Management Board
Juan de Porras Aguirre	Vice-president of the Management Board
Arkadiusz Przybył	Vice-president of the Management Board
Maciej Reluga	Member of the Management Board
Dorota Strojkowska	Member of the Management Board
Feliks Szyszkowiak	Vice-president of the Management Board

Michał Gajewski

Michał Gajewski is a legal advisor, holder of a law degree from Adam Mickiewicz University in Poznań. He also studied at the Northwestern University in Chicago and the London Business School. He started his career in banking in 1992. First, in the years 1992-2008, he worked with WBK Group and with the Group, starting from a branch role, progressing to various middle and senior management capacities and culminating in his appointment to the Management Board as the member responsible for Retail Banking.

In the years 2008-2011, he acted as Vice-President of the Management Board of BGŻ Bank, where he was in charge of Retail Business and SME Banking and the Corporate Customers Division.

In 2012, he joined Bank Millennium. First, in the years 2012-2015, he served as Macroregional Director in the Retail Banking Division, and then in 2015 he was appointed as a Management Board member responsible for Retail Business. In 2016 he was appointed the President of the Management Board of the Bank.

Andrzej Burliga

Andrzej Burliga joined the Bank in 1995. He began his career in the Treasury Department where he was later promoted to the position of chief dealer and eventually Head of the Treasury Department. He headed the Risk Management Division between 2001 and 2006. He was appointed Deputy Head of the Risk Management Division and was responsible for the day-to-day management of key risks, including credit and operational risk, in the Group.

Andrzej Burliga graduated from the Faculty of Theoretical Maths at Wrocław University. He completed programmes in the area of risk management as well as management, eg INSEAD International Executives Development Programme, BZWBK Development Programme for Executives, LMC Consulting – Lilley Moncrieff Taylor. He is a member of the Professional Risk Managers' International Association.

Michael McCarthy

Michael McCarthy has worked in retail, corporate and commercial Banking in both Ireland and the UK and was the Managing Director of Allied Irish Bank's Card Services UK and Ireland business from 2002 to 2008. He also represented AIB as a board member of Hot Origin Limited (a seed capital fund for technology business start-ups), VISA UK and MasterCard Northern Europe.

He joined the Bank in early 2009 when he was appointed to the Management Board as the member in charge of the Business and Corporate Banking Division. In addition, he is chairman of the Supervisory Boards of BZ WBK Leasing and BZ WBK Faktor and is a member of the Credit Committee, the Assets and Liabilities Committee and the Provisions Committee.

He is a graduate of Manchester University, from which he obtained an MBA, and of the Institute of Bankers in Ireland.

Carlos Polaino-Izquierdo

Carlos Polaino-Izquierdo commenced his career in Banco Santander Spain in 1998, and has been with Santander Group ever since. After holding management positions in Santander Spain Internal Audit and gaining wide international experience, in 2006 he was appointed as Deputy–Head of Internal Audit in Santander Brazil where, apart from being responsible for ensuring an adequate control environment and correct management of risks, he played an active role in the merger of various Santander banks in this country.

In May 2011, he was appointed Head of Internal Audit in BZ WBK Group and became a member of the Management Board of the Bank in 2015. Carlos Polaino-Izquierdo graduated from Universidad Autónoma de Madrid, faculty of Business Administration.

Juan de Porras Aguirre

Juan de Porras Aguirre has been working in banking since 1989. In January 2007, he joined Banco Santander as Managing Director of Global Corporate Banking. Since November 2010, Juan de Porras Aguirre has been managing the Division of Global Corporate Banking Poland at the Bank. Juan de Porras Aguirre graduated from Universidad de Granada with a master's degree in law and received a diploma in Business Administration from Escuela Superior de Administración y Dirección de Empresas in Barcelona. He also completed the Investment Banking Executive Program at the Kellogg School of Management at Northwestern University in Chicago.

Arkadiusz Przybył

Arkadiusz Przybył has many years of experience in banking. In 2012, he was appointed CEO of Santander Consumer Bank in Wrocław. Between 2011 and 2012, he worked as Business Director in the Headquarters of Santander Consumer Finance in Madrid where he was responsible for strategy and business development, market integration and company acquisition projects as well as for supporting and supervising the operations of Santander Consumer Finance in Poland.

In 2009-2010, he held the position of Executive Director at GE Money Bank (Latvia) and GE Money (Latvia), and between 2005 and 2008 he worked as Head of Retail Banking at GE Money for Central and Eastern Europe, Zurich/Paris Headquarters. In the years 1997-2005, he held the position of Engagement Manager at McKinsey & Company, Warsaw.

Maciej Reluga

Maciej Reluga graduated with a degree in Quantitative Methods of Economics from the Faculty of Economic Sciences at Warsaw University. He also completed a finance management program at the University of Namur (Belgium). For many years he has dealt with analysing and forecasting economic indicators and developments. Since 2002, he has been the Bank's Chief Economist. He completed many courses and training sessions in financial instruments, forecast and management methods. In 2010, he completed the Senior Management

Programme in Banking at the Swiss Finance Institute. In 2012, he attended the Strategic Leadership Academy at the ICAN Institute.

Dorota Strojkowska

Dorota Strojkowska has over 20 years of experience in banking, both in business and HR.

She has been with the Bank since 2005. In 2012, she was nominated for the position of Retail Banking Business Model Coherency Director, and then in 2013 she was made Head of the Compensation Department. In 2014, she was appointed Head of the Organizational Effectiveness Area. Between April 2016 and March 2017, she headed the HR Division at PKO Bank Polski. Apart from strategic planning, she has a broad range of skills in HR model management development and organizational culture transformation.

She graduated from Adam Mickiewicz University in Poznań, with degrees in Classical and Polish Studies. She completed postgraduate studies at the Poznań University of Economics and Business, as well as Kozmiński University. Moreover, she has completed a number of professional training courses on HR management, coaching, strategic planning, financial management and business psychology, including "Development of managerial skills" at Nottingham Trent University and "Advance Leadership Programme" at the ICAN Institute, Harvard Business Review.

Feliks Szyszkowiak

He joined WBK in 1990. Between 1990 and 1998, he worked for the Branch Banking department. He supervised the IT and Branch Development Area in WBK from 1998 to 2001. In 2001, he was appointed as the leader of a B1 Programme which was designed to implement a new Branch Banking model and a centralised IT system in the Bank. In 2003, he was appointed to the Management Board of the Bank and was in charge of the Risk Management Division until July 2007. He is an acting Chief Digital Officer.

Feliks Szyszkowiak graduated from the Poznań University of Technology, and Wharton University.

The business address of all Management Board members is Rynek 9/11, 50-950 Wrocław, Poland. No Management Board member has any actual or potential conflict of interest between his/her duties to the Bank and his/her private interests and other duties.

Supervisory Board

The Supervisory Board exercises regular supervision over the Group's operations.

The Supervisory Board consists of at least five members elected by the General Meeting for a joint term of office of three years. The General Meeting also appoints the Chairman of the Supervisory Board. The Management Board must notify the KNF of the composition of the Supervisory Board.

At least half of the members of the Supervisory Board must be independent members. At least half of the members of the Supervisory Board, including all independent members, must demonstrate experience in the Polish market which might be applied to supervising the Bank's operations, have permanent residence in Poland, and have a proven command of Polish language.

The responsibilities of the Supervisory Board include:

- reviewing the Group's annual financial statements;
- approving the long-term development plans prepared by the Management Board;
- appointing, suspending and dismissing members of the Management Board;

- delegating members of the Supervisory Board for temporary positions on the Management Board; and
- concluding, amending and terminating agreements with members of the Management Board.

The Supervisory Board holds its meetings at least three times a year. For resolutions passed at Supervisory Board meetings to be valid, at least half of the members must be present at the meeting and all members must be invited. In certain cases, a resolution may be adopted in writing or a member of the Supervisory Board may vote via another member. Passing a Supervisory Board resolution requires a majority of votes and, if there is an even number of votes, the Chairman has the casting vote.

The Supervisory Board may appoint committees. The members of the committees carry out particular supervision activities. The exact scope of responsibilities of a committee is set out in the resolution of the Supervisory Board appointing the committee.

The table below sets out information on the members of the Supervisory Board.

Name	Position
Gerry Byrne	Chairman of the Supervisory Board
Danuta Dąbrowska	Member of the Supervisory Board
Witold Jurcewicz	Member of the Supervisory Board
José Luis de Mora	Deputy Chairman of the Supervisory Board
John Power	Member of the Supervisory Board
Marynika Woroszylska-Sapieha	Member of the Supervisory Board
José Manuel Campa	Member of the Supervisory Board
Jerzy Surma	Member of the Supervisory Board
David R. Hexter	Member of the Supervisory Board
José Garcia Cantera	Member of the Supervisory Board

Gerry Byrne

Gerry Byrne graduated from the Harvard Business School, Irish Management Institute and Institute of Bankers in Ireland. He joined the AIB group in 1973 and since then has held a number of management positions in the AIB group in Ireland and Poland. He has been on the Supervisory Board of the Bank since 2001. He is a member of the Irish Institute of Bankers, Irish Management Institute and Alumni of Harvard Business School.

Danuta Dąbrowska

Danuta Dąbrowska graduated from the University of Horticulture and Food Industry in Budapest. She is a fellow member of the Association of Chartered Certified Accountants. She has held a number of senior positions in finance, operations, liquidity and risk management, project finance, M&A transactions and other services (accounting and payroll outsourcing). Currently, she is a member of the supervisory board of Herkules S.A.

Witold Jurcewicz

Witold Jurcewicz graduated from Wrocław University and holds a Ph.D. in Law from the Institute of State and Law at the Polish Academy of Science. He has participated in numerous privatisation projects as well as M&A transactions. He is a co-author of the Code of Good Conduct prepared by the KNF and the WSE.

José Luis De Mora

José Luis De Mora is a Chartered Financial Analyst (CFA) and a Graduate of the ICADE University. He holds an MBA from Boston College. From 1994 to 1998, José Luis De Mora was employed at Dresdner Kleinwort Benson (London) as Spain Analyst in charge of Spanish equity products and banks. From 1998 to 2003, he was employed with Merrill Lynch in London as their Pan-European Banks Analyst in charge of Pan-European banking strategy in France, Portugal, Italy and Spain. Since 2003, José Luis de Mora has held the role of Corporate Development and Strategy Director of Banco Santander. He is also a Member of the European Commission's Group of Experts on the Banking Industry. He is a supervisory board member of Sovereign Bank and Santander Consumer USA.

John Power

John Power is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) and the Institute of Bankers in Ireland. He has been on BZ WBK's Supervisory Board since 2002. Currently, he is the Chairman of Lelewela Enterprises Limited, which operates the Roche-Bobois franchise network in Ireland.

Marynika Woroszylska-Sapieha

Marynika Woroszylska-Sapieha graduated from the Medical University of Warsaw the International Executive Program INSEAD in Fontainebleau. She was one of the leading cardiologists in Poland before moving to the pharmaceutical industry in 1994. Since 1997, she has worked for Sanofi Group and is currently the President of the Management Board of Sanofi-Aventis sp. z o.o. She is the President of the Board of INFARMA - Employers' Union of Innovative Pharmaceutical Companies and a member of the Programme Council of Vital Voices, an international non-governmental organisation supporting the development of the leadership potential of women and fostering mentoring.

José Manuel Campa

José Manuel Valera is a graduate of Universidad de Oviedo and holds a PhD in Economics from Harvard University. He has held a number of senior positions in public administration bodies and research institutions focused on financial matters. Since 2015, he has been the Global Head of Regulatory Affairs of Santander.

Jerzy Surma

Jerzy Surma graduated from the Wroclaw University of Technology and holds a Ph.D. in economics from the Wrocław University of Economics. He completed the IFP programme at IESE Business School and an Executive Programme at MIT Sloan School of Management. Since 2008, he has been a member of the Supervisory Board and Audit Committee of Kęty Group. Currently, he is an Assistant Professor in the Faculty of Business Administration at the Warsaw School of Economics and the Head of Post-graduate Business Intelligence Studies.

David R. Hexter

David R. Hexter holds an MA in Philosophy, Politics and Economics awarded by Oxford University, an MBA awarded by the Cranfield School of Management, and an MPhil awarded by Birkbeck, University of London. He began his professional career at Citibank in London and then joined EBRD in 1992. Since retiring from EBRD in 2004, David R. Hexter has been a supervisory board member of a number of companies, banks and private equity funds operating in Russia, Kazakhstan, Denmark and Vietnam, including a major logistics company listed on the London Stock Exchange where he is currently also Chairman of its Audit Committee.

José Garcia Cantera

José Garcia Cantera holds an MBA from IE Business School. He has been the Chief Financial Officer and Head of the Finance Division at Santander since 2015. Before that he held various management positions in Santander group and other financial institutions.

The business address of all of the Supervisory Board members is Rynek 9/11, 50-950 Wrocław, Poland. No Supervisory Board member has any actual or potential conflict of interest between his/her duties to the Bank and his/her private interests and other duties.

Employees

The table below presents the average number of employees in the Group for each of 2017 and 2016.

	For the year ended 31 December 2017	**For the year ended 31 December 2016**
Management Boards (numbers of members at 31 December)	12	10
Management	1,537	1,495
Other employees	9,940	10,416
Other employees - subsidiaries	3,199	3,159
Total	**14,383**	**14,772**

In addition to salaries, the Group's employees are entitled to a range of benefits, including life, health and medical insurance, and bonuses relating to the achievement of individual objectives.

On 17 May 2017, the Bank's General Meeting approved an incentive programme covering 250 key employees, including members of the Management Board. Under the incentive scheme, the selected employees will be able to subscribe for shares in the Bank if certain performance goals are met. The Bank will issue up to 98,947 shares under the scheme.

MARKET AND LEGAL ENVIRONMENT

Market

The information presented in this section has been extracted from publicly available sources and documents. The source of external information is always given if such information is used in this section. While reviewing, searching for and processing macroeconomic, market, industry or other data from external sources such as the KNF or government publications, none of it has been independently verified by the Group or the Arranger or any of their affiliates or the Group's advisers in connection with the Programme.

The Bank does not intend to and does not warrant to update the data concerning the market or the industry as presented in this section, subject to the duties resulting from generally binding regulations.

The Polish Economy

Poland is the largest economy in Central and Eastern Europe, with a track record of steady growth despite prolonged turmoil on the international financial markets. In recent years, growth has supported by an expansionary macroeconomic policy, a solid influx of EU funds under the EU's 2014-2020 framework, high relative cost competitiveness and a key geographic location within the EU market.

The Polish economy slowed markedly in 2012. Weaknesses in euro-area growth spread to Poland's main trading partners, with a negative impact on Polish consumers and business confidence. As a result, international demand was subdued and private investment and consumption weakened. The labour market deteriorated and credit growth trends decreased. Since the second half of 2013, the Polish economy has begun to improve, but in 2014 the economy was hit by a number of negative shocks, including mainly a sharp decline in the demand for Polish products among Poland's eastern trade partners, as well as an economic slow-down in the Eurozone. According to the Central Statistical Office (**GUS**), the GDP growth rate in Poland reached 3.4 per cent. in 2014 and accelerated to 3.6 per cent. in 2015. In 2016, Poland's GDP growth rate slowed to 2.9 per cent. The slump in private investment, weaker-than-expected household consumption and reduced inflows of EU funds were the main drivers behind the weak economic growth. In 2017, GDP growth rate increased to 4.6 per cent., the highest since 2011. Private consumption was the main driver of economic growth in 2017. The growth rate accelerated to 4.8 per cent. from 3.9 per cent. in 2016. Growth in private consumption was supported by an increase in the disposable income of households supported by improved employment, social transfers under the "Family 500 plus" programme and rising wages and salaries. Favourable consumer sentiment and historically low NBP interest rates also contributed to increased consumer spending. Economic activity also benefited from a rebound in investment which, after a significant slowdown in 2016, increased by 3.4 per cent. in 2017. Construction spending improved in 2017 and accelerated further at the beginning of 2018. The improvement was driven mainly by public investment, but there are also tentative signs that private investment has started to recover.

Polish assets enjoyed a significant improvement in 2017, with the equity market reaching a new high, significant declines in bond yields, and a stronger PLN exchange rate. Local factors have not played a major role, but Poland has benefitted from the overall positive approach towards emerging markets.

Poland's growth oriented policy is reflected in:

- historically low interest rates, supporting business lending and reducing the interest burden faced by households;
- plans to reduce personal income taxes via a higher tax-free allowance and increase the progressivity of taxation;

- various measures to permanently raise the household savings rate and, indirectly, private investment rate (an offset to demographic headwinds); and
- redistributive policies and increased spending on family support to tackle long-term demographic problems.

According to Eurostat, Poland's general government deficit shrank to 1.7 per cent. of GDP in 2017 from 2.3 per cent. of GDP in 2016. This resulted mainly from a significant increase in government revenue combined with a number of measures aimed at tightening the tax system and closing loopholes.

The unemployment rate in Poland is well below the EU average. According to Eurostat, in 2017, the unemployment rate in Poland reached 4.4 per cent. compared to 7.3 per cent. in the European Union and 8.7 per cent in the Eurozone.

Cautious monetary policy carried out by the MPC is underpinned by:

- a clearly defined monetary policy target (2.5 per cent. +/-1 percentage point);
- a lack of asset purchase programmes; and
- attention to ensuring wider macroeconomic stability.

Inflation stabilised within the NBP's tolerance band (2.1 per cent. in December 2017; 1.4 per cent in March 2018). The majority of market participants currently expect NBP interest rates to remain stable in 2018.

Development of the Polish Banking Sector

Between 1989 and 1991, a two-tiered banking sector was established, separating the central bank from the rest of the banking sector. Nine regional commercial banks were created out of the NBP's commercial and retail banking operations. The NBP branch network and the respective commercial loan portfolios of those branches were divided among the newly-established banks to give each new bank a regional base. All of these regional banks were transformed into joint stock companies in October 1991 and were subsequently privatised between 1993 and 2001. Since 1991, Polish banking law has allowed the licensing of new private banks in Poland and opened the Polish banking market to foreign investors. As a result, there has been a rapid expansion in the number of banks due to foreign banking groups entering the market.

The global financial crisis impacted the quality of loan portfolios and the level of earnings in the Polish banking sector, and also increased pressure on funding for banks. However, because: (i) banks in Poland did not have significant exposure to toxic assets prior to the crisis; (ii) there were no significant speculative asset bubbles in Poland; (iii) deposits are the main source of banks' funding; (iv) Polish banks have relatively high capital adequacy ratios (with a high proportion of top quality Tier 1 capital); and (v) Poland has experienced a stable macroeconomic situation (evidenced by the fact that Poland did not enter into a recession), the impact of the crisis on the Polish banking sector was limited in comparison to the Eurozone. The inflow of funds from abroad declined and the availability of funding on the inter-bank market was reduced following a lack of trust in the market. As a result, banks sought alternative sources of funding which significantly increased competition on the deposit market. In addition, a few large international financial institutions which suffered as a result of the global financial crisis have reassessed their international strategies, putting their Polish operations up for review and sale (eg KBC Group and Rabobank).

These moves have added to the on-going trend of increasing concentration in the hands of a few large banking groups.

According to the KNF, as at 31 December 2017, there were 35 commercial banks in Poland, 28 branches of credit institutions and 553 relatively small co-operative banks.

The level of competition in the Polish banking sector is relatively high due to its low level of concentration. According to the KNF data as at 31 December 2017, the share of top five banks in total banking assets stood at 47.8 per cent. (compared to 48.3 per cent. as at the end of December 2016), while their share in deposits amounted to 47.1 per cent. (compared to 47.5 per cent. as at the end of 2016).

Among the other factors having an impact on competition is the consolidation of the Polish banking sector. For example, in 2013, the merger of the Bank and Kredyt Bank S.A., the acquisition of Dexia Kommunalkredit Bank Polska S.A. by Getin Noble Bank S.A., and the acquisition of the retail operations of DnB Nord Polska S.A. by Getin Noble Bank S.A.; in 2014, the merger of Nordea Bank Polska S.A. with PKO Bank Polski S.A., the takeover of control of SCB by the Bank; and, in 2015, the merger of Bank BGŻ S.A. with BNP Paribas S.A. and the acquisition of Meritum Bank ICB S.A. by Alior Bank S.A.; in 2016, the merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A. and the merger of Alior Bank S.A. with the core business of BPH. In December 2017, DB AG sold its Polish retail operations (core DB Polska without CHF portfolio and DB Securities) to the Bank. On 10 April 2018, Raiffeisen Bank International AG agreed to sell the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGŻ BNP Paribas S.A.

The Polish banking sector is expected to continue to experience consolidation in the medium term. A number of smaller market players generate relatively low revenues, which will be subject to rising pressure. This may force further consolidation if profitability is eroded. Given the pressure on the revenue side (low interest rates, regulatory measures) and additional burdens (Polish banking tax, higher capital requirements), some banks will strive to increase their scale of operations to achieve a satisfactory return on equity.

As a result of changes in the shareholding structure of Polish commercial banks, in particular the takeover of Bank Pekao S.A. by PZU S.A. and PFR S.A., in 2017, the share of foreign ownership in banking assets in the country declined markedly. According to the KNF, as at 30 September 2017, 45.5 per cent. of the total assets of the Polish banking sector belonged to foreign-owned banking groups, compared to 56.6 per cent at the end of 2016 and 65.0 per cent. at the end of 2011.

Alternative distribution channels, in particular internet banking and mobile banking, have been becoming of increasing importance in Poland. Moreover, new products, such as markets for financial advisory services, wealth management, insurance products and various investment funds in Poland have seen significant growth and are likely to be a significant driver for profitability in the future.

Financial Situation of the Polish Banking Sector

Poland's banking sector is generally profitable, well capitalised, and predominantly deposit-funded. In 2017, the Polish banking industry operated in a changing market environment. Currently, the following factors affect the operations of the banking sector in Poland:

- a low interest rate environment – interest rates in Poland are at historically low levels. The NBP reference rate stood at 1.5 per cent. and WIBOR 3M reached 1.72 per cent. at the end of 2017. The low interest rate environment depresses the generation of net interest income;
- interchange rates, ie commissions paid to the bank by the settlement agent for every non-cash transaction made with a payment card issued by the bank, decreased to 0.2 per cent. for debit cards and 0.3 per cent. for credit cards (from the end of January 2015), which restricts the generation of fee and commission income;
- the introduction of the Banking Tax in February 2016 in the amount of 0.44 per cent. of assets annually;
- stricter regulatory requirements, putting pressure on capital, costs and operations;

- legislative proposals which seek to reduce the indebtedness of borrowers under CHF-denominated 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 Internet security – cyber-risk;
- spreading technological solutions and their impact on clients' behaviour;
- declining trust in the banking sector as a result of the on-going debate concerning foreign exchange mortgage loans which started in 2015; and
- non-financial sector players (fintech companies) are gradually entering traditional banking territories and offer innovative financial solutions.

In 2017, the financial and business results of the banking sector were supported by the favourable economic situation in Poland, improving the financial standing of households and positive mood among enterprises. In 2017, the banking sector's net profit generated reached PLN13.6 billion and was only 2.3 per cent. lower than in 2016 when the banks booked one-off gains generated on the sale of banks' stakes in VISA Europe Limited (approximately PLN2 billion).

A strong increase in net interest income of PLN4.6 billion (12.1 per cent.) and net fee and commission income of PLN1.2 billion (9.1 per cent) had a positive effect on the levels of revenue. Despite the positive economic momentum, net impairment losses on loans and advances in 2017 were 9.4 per cent. higher than in the previous year. In 2017, banks continued cost cutting initiatives, including optimisation of the sales network. However, the banking sector's total costs (excluding tax) increased by 3.2 per cent. compared to 2016 and the cost to income ratio reached 56.4 per cent. In 2017, net ROE of the banking sector deteriorated (7.1 per cent. compared with 7.8 per cent. in 2016), as the equity remained under the influence of high regulatory and supervisory burdens and the net profit of the banking sector was affected by a high reference base related to Visa transaction in 2016. (Source: KNF data).

2017 was marked by an acceleration in credit volumes. Loan growth was supported by a low interest rate environment, depreciation of the PLN, and declining unemployment. According to the KNF, housing loans in PLN increased by 10.5 per cent. compared to the previous year. Housing loans in foreign currency declined by 18.5 per cent. in 2017 due to strong foreign exchange effects and continued repayment of CHF mortgage loans. The annual growth rate of consumer loans in 2017 reached 8.0 per cent. (compared to 5.1 per cent. per cent. registered in 2016). Loans to non-financial corporations increased by 6.1 per cent. compared to 2016.

In 2017, the number of NPLs to the non-financial sector decreased by 1.3 per cent. The NPL ratio as at 31 December 2017 stood at 6.8 per cent. (6.1 per cent. for households, 2.8 per cent. for total mortgage loans, 3.3 per cent for mortgage loans in foreign currency and 8.2 per cent. for corporate clients) (Source: KNF data). The NPL ratio in Poland compares favourably with the vast majority of CEE countries (according to ECB statistics, the NPL ratio in Poland in 2016 stood at 6.4 per. cent, while it was 12.8 per cent. in Bulgaria, 12.3 per cent. in Slovenia, 11.9 per cent. in Hungary, 9.7 per cent. in Romania, 4.6 per cent in Slovakia and 4.1 per cent. in the Czech Republic).

A conservative regulatory environment has a positive impact on the asset quality of Polish banks. Recommendation S of the KNF introduces a limitation on loan-to-value, recommends a repayment period no longer than 25 years for retail customers and allows offering foreign-currency mortgage loans to borrowers earning permanent income in the loan currency. Recommendation T of the KNF requires the assessment of the client's standing to be based on certificates of income and external databases, eg the Credit Information Bureau, and that the maximum debt-to-income ratio should be determined by the bank's management board and approved by the supervisory board.

The relative unattractiveness of bank deposits resulting from, among other things, a record low level of basic interest rates and regulatory burdens for the banking sector, resulted in a gradual slowdown of the growth dynamics of aggregate deposits in 2017 (to 4.1 per cent. compared with 9.5 per cent. in 2016). Household deposits increased by 4.2 per cent. compared with 2016. A decrease in term deposits of individuals in 2017 contributed towards a gradual slowdown in the dynamics of household current deposits. At the same time, worse liquidity in the enterprises sector, which was connected with both the dynamic increase in salaries and the effects of tightening the tax system, contributed to lower dynamics of corporate deposits. Their slower growth rate (3.6 per cent. in 2017 against 8.5 per cent. in 2016) was also a consequence of the strengthening of the PLN, which reduced the value of exporters' PLN profits. (Source: KNF data).

In 2017, the liquidity of the banking sector remained stable. The loan to deposit ratio was below 100 per cent. (97.7 per cent. as at the end of 2017 according to the KNF).

Banks in Poland are well-capitalised. The average total capital ratio as at 31 December 2017 stood at 19.0 per cent. and the Common Equity Tier 1 capital ratio stood at 17.3 per cent. (Source: KNF data).

In 2018, the Polish banking sector is likely to be affected by various factors. Poland's banking sector should expect a continuation of lending growth in the mortgage, consumer and corporate sectors due to favourable macroeconomic factors and consumer stability. Housing loans will make a slightly larger contribution to the overall lending to households, but due to the high base (volume of loans originated in the previous years), even a considerable increase in loan production would have only a limited impact on the overall volume growth in this category. The already solid growth in consumer loans is likely to continue throughout 2018. Corporate loans are expected to grow at a faster pace driven by all sub-categories, in particular investment and commercial real estate loans. Deteriorating liquidity may additionally boost companies' demand for overdraft facilities and working capital loans.

Deposits are also expected to increase, supported by rising revenues of households and corporate customers. Nevertheless, growth in household and corporate deposits will be curbed by the growing popularity of alternative methods of saving and investing.

At the same time, several developments may weaken the Polish banking sector. In particular, the banking sector faces significant risks to its profitability as a result of costs associated with legislative proposals concerning mortgage loans denominated in foreign currencies. There are also certain risk factors in the external environment that may adversely affect the Polish economy and, consequently, the situation of the banking sector. In addition, traditional banks will have to deal with increased competition from fintech companies and the expectations of customers who demand convenience and availability of advanced technologies.

Legal environment

Specific Requirement for the Banks

Engaging in banking activities involves meeting multiple regulatory obligations, most of which follow directly from the provisions of the Banking Law, and from resolutions, ordinances and recommendations made by the KNF. The most important obligations concern the Bank's own funds, the capital adequacy ratio, solvency ratio, exposure concentration, risk management systems and financial management conducted by the Bank.

Banks have a duty to protect banking secrecy. Regulations on personal data protection are particularly important for the functioning of banks in order to protect individual customers. Personal data may be processed exclusively in compliance with detailed regulations, using technical and organisational resources which ensure the protection of personal data against unauthorised processing, including making it available to third parties.

The Bank must also comply with regulations for preventing the financial system from being used for the purpose of money laundering and terrorist financing.

Certain restrictions also apply if banks retain any third parties for the performance of banking activities for and on behalf of the bank, or for the performance of any banking-related operations.

Banking Supervision Exercised by the KNF

In Poland, banking supervision is currently exercised by the KNF and covers in particular:

- assessing the financial position of banks, including analysing liquidity, the quality of assets, solvency and the financial results of banks;
- estimating, maintaining and reviewing internal capital;
- auditing the quality of risk management systems, and in particular of the risk management system and internal control system;
- auditing the compliance of the bank's activities with the appropriate regulations; and
- monitoring and controlling the bank's compliance with the exposure concentration limits and standards for risk acceptable in banks' operations as determined by the KNF.

The KNF has wide powers and legal instruments which enable it to carry out supervision over banks (including the possibility to conduct inspections).

Other Supervisory Authorities

Some areas of banking operations are subject to the supervision of other public administration authorities, the most important of which are:

- the OCCP, regarding protecting market competition and consumers' collective rights;
- the Head of the Data Protection Office, regarding collecting, processing, managing and protecting personal data; and
- the minister responsible for financial institutions and the General Inspector for Financial Information regarding the prevention of money laundering and financing of terrorism.

Bank Guarantee Fund

The BGF covers the monetary assets deposited in bank accounts or receivable regarding claims confirmed by documents issued by banks with a guarantee system. Participation in the guarantee system is mandatory for all Polish banks and in certain instances for branches of foreign banks operating in Poland. Banks covered by the guarantee system make mandatory annual payments to the BGF and are obliged to set up a guaranteed funds protection fund. The mandatory guarantee system ensures that if a bank becomes insolvent, the funds deposited in bank accounts, up to an amount specified in the regulations, are returned. As at the date of this Base Prospectus, funds up to the amount equivalent to EUR100,000 per single person regarding deposits in all accounts in a given bank are fully covered by the guarantee system. Funds deposited, in particular, by government administration authorities, other banks, credit institutions, insurance companies, investment and pension funds are not covered by the guarantee system.

Consumer Protection

The Consumer Credit Act dated 12 May 2011 (as amended), the Civil Code regulations and other consumer protection laws impose on the banks several obligations related to agreements signed with natural persons who perform actions which are not directly related to their business or professional activities (consumers). The most important of those are the requirements to inform the consumer about the cost of extended credit and loans and to include specified terms in the consumer loan agreement as well as the prohibition on including specific clauses which are unfavourable to consumers in agreements. If a customer loan agreement does not meet certain requirements of the Consumer Credit Act, the borrower is authorised under the law to repay the loan in the principal amount with interest accrued until the prepayment date. In some circumstances, the borrower may be authorised to repay only the principal amount, without interest, fees or any other amounts due to the bank under the loan agreement.

There is a cap on the maximum interest rates which a bank may charge under a loan agreement. The maximum interest rate is capped at two times the sum of the applicable reference rate of the NBP and 3.5 per cent.

Personal Data Protection

In light of the large number of individuals serviced by banks, all the regulations concerning personal data protection are of particular importance to banking operations. Personal data may be processed exclusively in compliance with specific regulations, while applying technical and organisational means that ensure the protection of personal data, particularly from disclosure to any unauthorised parties. Additionally, the persons to whom such data relates should have the right to access all of their personal data and to correct it.

The GDPR entered into force on 25 May 2018. It imposes new obligations and guidelines on companies in the management and processing of personal data. This means a significant change for companies in their approach to the security of data storage and the issue of making it available to the relevant employees.

The key challenges resulting from the GDPR's implementation result from:

- the definition of personal data, including identifying the person to whom the data relates, will be much broader;
- automated processing of personal data will be permitted under certain conditions;
- the legal rights of the individual will be increased considerably;
- personal data processors, controllers and data protection officers will have many new obligations related to providing technical and organizational protection of personal data; and
- administrative fines for non-compliance with the Regulation can reach EUR20 million or 4 per cent. of an organisation's annual worldwide turnover. Moreover, individuals will have the right to judicial redress and claim compensation beyond the statutory fines.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form (**Bearer Notes**) will initially be in the form of either a temporary global note in bearer form (the **Temporary Global Note**), without interest coupons, or a permanent global note in bearer form (the **Permanent Global Note**), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a **Global Note**) which is not intended to be issued in new global note (**NGN**) form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the **ECB**) announced that Notes in NGN form are in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the **Eurosystem**), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Each Final Terms for Notes in NGN form will indicate whether such Notes are intended to be held in a manner which would allow Eurosystem eligibility. The designation "yes" means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream. Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. If the designation is specified as "no" at the Issue Date, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. In all cases, such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the **TEFRA C Rules**) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the **TEFRA D Rules**) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the

Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Issue and Principal Paying Agent; and

(ii) receipt by the Issue and Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership *provided, however*, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form (**Definitive Notes**):

(a) on the expiry of such period of notice as may be specified in the Final Terms; or

(b) at any time, if so specified in the Final Terms; or

(c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

    (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issue and Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Issue and Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

    (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

If the Specified Denomination of the Notes stated in the final terms includes language substantially to the following effect: "*[EUR 100,000] and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 199,000]*", the Notes cannot be represented on issue by a Permanent Global Note exchangeable for Definitive Notes.

The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and - if at the time of exchange into definitive form more than 27 coupon payments are left - Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issue and Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of provisions relating to the Notes while in global form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

> "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code*."

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form (**Individual Note Certificates**) or a global Note in registered form (a **Global Registered Note**), in each case as specified in the relevant Final Terms.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the **New Safekeeping Structure** or **NSS**) would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the **Eurosystem**), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the New Safekeeping Structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Note", then if either of the following events occurs:

  (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or

  (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note; or

(b) any of the Notes represented by a Global Registered Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have under the Deed of Covenant.

The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of provisions relating to the Notes while in global form*" below.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete any information in this Base Prospectus.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of provisions relating to the Notes while in global form" above.

1. **Introduction**

(a) *Programme*: Bank Zachodni WBK S.A. (the **Issuer**) has established a Euro Medium Term Note Programme (the **Programme**) for the issuance of up to EUR5,000,000,000 in aggregate principal amount of notes (the **Notes**).

(b) *Series:* Notes issued under the Programme are issued in series (each a **Series**) and each Series may comprise one or more tranches (each a **Tranche**) of Notes.

(c) *Final Terms*: The terms and conditions applicable to any particular Tranche of Notes are these terms and conditions (the **Conditions**), as completed by a document specific to such Tranche called final terms (the **Final Terms**) or as supplemented, amended and/or replaced in a separate prospectus specific to such Tranche (the **Drawdown Prospectus**). In the event of any inconsistency between these Conditions and the relevant Final Terms or Drawdown Prospectus, the relevant Final Terms or Drawdown Prospectus shall prevail. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in these Conditions to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus

(d) *Agency Agreement*: The Notes are the subject of an issuing and paying agency agreement dated 28 August 2018 (the **Agency Agreement**) between the Issuer, The Bank of New York Mellon, London Branch as issue and principal paying agent (the **Issue and Principal Paying Agent**, which expression includes any successor issue and principal paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**, which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Issue and Principal Paying Agent, the **Paying Agents**, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the **Agents** are to the Paying Agents and the Transfer Agents and any reference to an **Agent** is to any one of them

(e) *Deed of Covenant:* The Notes may be issued in bearer form (**Bearer Notes**), or in registered form (**Registered Notes**). Registered Notes are constituted by a deed of covenant dated 28 August 2018 (the **Deed of Covenant**) entered into by the Issuer.

(f) *The Notes*: All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing during normal business hours at the specified office of the Issue and Principal Paying Agent.

(g) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the **Couponholders** and the **Coupons**, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

Accrual Yield has the meaning given in the relevant Final Terms;

Additional Business Centre(s) means the city or cities specified as such in the relevant Final Terms;

Additional Financial Centre(s) means the city or cities specified as such in the relevant Final Terms;

Business Day means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the relevant currency and in each (if any) Additional Business Centre;

Business Day Convention, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) **Following Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) **Preceding Business Day Convention** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) **FRN Convention**, **Floating Rate Convention** or **Eurodollar Convention** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) **No Adjustment** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

Calculation Agent means the Issue and Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

Calculation Amount has the meaning given in the relevant Final Terms;

Coupon Sheet means, in respect of a Note, a coupon sheet relating to the Note;

DA Selected Bond means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

Day Count Fraction means, in respect of the calculation of an amount for any period of time (the **Calculation Period**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(a) if **Actual/Actual (ICMA)** is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if **Actual/Actual (ISDA)** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(c) if **Actual/365 (Fixed)** is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if **Actual/360** is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if **30/360** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

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

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

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

M_2 is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(f) if **30E/360** or **Eurobond Basis** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

if **30E/360 (ISDA)** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

Determination Agent means an investment bank or financial institution of international standing selected by the Issuer after consultation with the relevant Dealer(s);

Early Redemption Amount (Tax) means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

Early Termination Amount means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Final Terms;

EURIBOR means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

Extraordinary Resolution has the meaning given in the Agency Agreement;

Final Redemption Amount means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

First Interest Payment Date means the date specified in the relevant Final Terms;

Fixed Coupon Amount has the meaning given in the relevant Final Terms;

Guarantee means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness.

Gross Redemption Yield means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*", page 5, Section One: Price/Yield Formulae "*Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date*" (published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005, and as further amended, updated, supplemented or replaced from time to time) or, if such formula does not reflect generally accepted market practice at the time of redemption, a gross redemption yield calculated in accordance with generally accepted market practice at such time as determined by the Determination Agent;

Indebtedness means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

Interest Amount means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

Interest Commencement Date means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

Interest Determination Date has the meaning given in the relevant Final Terms;

Interest Payment Date means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

Interest Period means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

ISDA Definitions means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

Issue Date has the meaning given in the relevant Final Terms;

LIBOR means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

Make Whole Redemption Price has the meaning given in Condition 9(e) (*Redemption and Purchase - Redemption at the option of the Issuer*);

Margin has the meaning given in the relevant Final Terms;

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

Maturity Date has the meaning given in the relevant Final Terms;

Maximum Redemption Amount has the meaning given in the relevant Final Terms;

Minimum Redemption Amount has the meaning given in the relevant Final Terms;

Non-Sterling Make Whole Redemption Amount has the meaning given in Condition 9(e) (*Redemption and Purchase - Redemption at the option of the Issuer*);

Noteholder, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

Optional Redemption Amount (Call) means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

Optional Redemption Amount (Put) means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

Optional Redemption Date (Call) has the meaning given in the relevant Final Terms;

Optional Redemption Date (Put) has the meaning given in the relevant Final Terms;

Participating Member State means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

Payment Business Day means:

(a) if the currency of payment is euro, any day which is:

   (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

   (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

   (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Financial Centre;

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Put Option Notice means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

Put Option Receipt means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

Quotation Time has the meaning given in the relevant Final Terms;

Rate of Interest means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

Redemption Amount means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Sterling Make Whole Redemption Amount, the Non-Sterling Make Whole Redemption Amount, the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

Redemption Margin shall be the percentage specified in the relevant Final Terms;

Reference Bond has the meaning given in the relevant Final Terms or, if not so specified or to the extent that such Reference Bond specified in the Final Terms is no longer outstanding on the relevant Reference Date, the DA Selected Bond;

Reference Bond Price means, with respect to any Reference Date, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if fewer than five such Reference Government Bond Dealer Quotations are received, the arithmetic average of all such quotations;

Reference Bond Rate means, with respect to any Reference Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Reference Date;

Reference Date has the meaning given in the relevant notice of redemption;

Reference Government Bond Dealer means each of five banks selected by the Issuer (following, where practicable, consultation with the Determination Agent, if applicable), or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues**;**

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and any Reference Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer;

Reference Price has the meaning given in the relevant Final Terms;

Reference Rate means EURIBOR, LIBOR or WIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

Regular Period means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

Relevant Date means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Issue and Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

Relevant Financial Centre has the meaning given in the relevant Final Terms;

Relevant Indebtedness means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

Relevant Screen Page means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

Relevant Time has the meaning given in the relevant Final Terms;

Reserved Matter means any proposal:

(a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;

(c) to change the currency in which amounts due in respect of the Notes are payable;

(d) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or

(e) to amend this definition;

Security Interest means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

Specified Currency has the meaning given in the relevant Final Terms;

Specified Denomination(s) has the meaning given in the relevant Final Terms;

Specified Office has the meaning given in the Agency Agreement;

Specified Period has the meaning given in the relevant Final Terms;

Sterling Make Whole Redemption Amount has the meaning given in Condition 9(e) (*Redemption and Purchase - Redemption at the option of the Issuer*);

Subsidiary means, in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

Talon means a talon for further Coupons;

TARGET2 means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

TARGET Settlement Day means any day on which TARGET2 is open for the settlement of payments in euro;

Treaty means the Treaty of the Functioning of the European Union, as amended;

WIBOR means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Warsaw interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of GPW Benchmark S.A. (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic WIBOR rates can be obtained from the designated distributor); and

Zero Coupon Note means a Note specified as such in the relevant Final Terms.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

(a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, **Holder** means the holder of such Bearer Note and **Noteholder** and **Couponholder** shall be construed accordingly.

(c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

(d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a **Note Certificate**) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes,

Holder means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and **Noteholder** shall be construed accordingly.

(e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, **business day** means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status**

Status of Senior Notes

(a) The payment obligations of the Issuer under Notes which specify their status as Ordinary Senior Notes (**Ordinary Senior Notes**) or as Senior Non Preferred Notes (**Senior Non Preferred Notes**, together with the Ordinary Senior Notes **Senior Notes**) in the relevant Final Terms constitute direct, unconditional, unsubordinated and (subject to Condition 5 (*Covenants*) unsecured obligations of the Issuer and subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Issuer as set out in the Polish Act dated 28 February 2003 Insolvency Law (the **Insolvency Law**)), such payment obligations rank:

(i) in the case of Ordinary Senior Notes, in respect of principal:

(A) *pari passu* among themselves and with any Senior Higher Priority Liabilities;

(B) senior to (i) accrued but unpaid interest on the Senior Higher Priority Liabilities as of the commencement of any insolvency procedure (ii) Senior Non Preferred Liabilities and (iii) any present and future subordinated obligations (*zobowiązania podporządkowane*) of the Issuer in accordance with the Insolvency Law and obligations constituting regulatory capital instruments of the Issuer under the CRR; and

(C) obligations in respect of interest on Ordinary Senior Notes shall rank junior to obligations in respect of principal on Senior Higher Priority Liabilities, but senior to (i) Senior Non Preferred Liabilities and (ii) any present and future subordinated obligations (*zobowiązania podporządkowane*) of the Issuer in accordance with the Insolvency Law and obligations constituting regulatory capital instruments of the Issuer under the CRR; and

(ii) in the case of Senior Non Preferred Notes:

(A) *pari passu* among themselves and with any Senior Non Preferred Liabilities;

(B) junior to (i) the Senior Higher Priority Liabilities and (ii) accrued but unpaid interest on the Senior Higher Priority Liabilities as of the commencement of any insolvency procedure; and

(C) senior to any present and future subordinated obligations (*zobowiązania podporządkowane*) of the Issuer in accordance with the Insolvency Law and obligations constituting regulatory capital instruments of the Issuer under the CRR.

No interest shall accrue from the date of the declaration of insolvency of the Issuer.

Status of the Subordinated Notes

(b) The payment obligations of the Issuer under Notes which specify their status as Subordinated Notes in the relevant Final Terms (**Subordinated Notes**, which may be, in turn, Senior Subordinated Notes (**Senior Subordinated Notes**) or Tier 2 Subordinated Notes (**Tier 2 Subordinated Notes**), as specified in the relevant Final Terms) on account of principal constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which upon the insolvency of the Issuer rank:

(i) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes constitute Senior Subordinated Liabilities of the Issuer:

(A) *pari passu* among themselves and with (i) all other claims in respect of Senior Subordinated Liabilities, and (ii) any other subordinated obligations which by law and/or by their terms, to the extent permitted by Polish law, rank *pari passu* with the Issuer's obligations under the relevant Subordinated Notes;

(B) junior to (i) any unsubordinated obligations of the Issuer (including any Senior Non Preferred Liabilities), and (ii) any other subordinated obligations which by law and/or by their terms, to the extent permitted by Polish law, rank senior to the Issuer's obligations under the relevant Subordinated Notes; and

(C) senior to (i) any obligations constituting regulatory capital instruments of the Issuer under the CRR, and (ii) any other subordinated obligations of the Issuer which by law and/or by their terms, to the extent permitted by Polish law, rank junior to the obligations of the Issuer under the relevant Subordinated Notes; and

(ii) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes constitute Tier 2 Notes of the Issuer:

(A) *pari passu* among themselves and with any other subordinated obligations which by law and/or by their terms, to the extent permitted by Polish law, rank *pari passu* with the Issuer's obligations under the relevant Subordinated Notes;

(B) junior to (i) any unsubordinated obligations of the Issuer (including any Senior Non Preferred Liabilities), (ii) any present and future obligations of the Issuer which, in accordance with the Insolvency Law, rank senior to the Tier 2 Notes, (iii) any other subordinated obligations which by law and/or by their terms, to the extent permitted by Polish law, rank senior to the Issuer's obligations under the relevant Subordinated Notes; and

(C) senior to (i) any present or future obligations of the Issuer which, in accordance with the Insolvency Law, rank lower than Tier 2 Notes and (ii) any other subordinated obligations of the Issuer which by law and/or by their terms, to the extent permitted by Polish law, rank junior to the obligations of the Issuer under the relevant Subordinated Notes.

For the purposes of the Terms and Conditions:

Additional Tier 1 Note means any subordinated obligation of the Issuer which constitutes an Issuer's additional tier 1 instrument within the meaning of the CRR;

Bail-in Power means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Poland, relating to (i) the transposition of the BRRD as amended or superseded from time to time, (ii) Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (as amended or superseded from time to time, the **SRM Regulation**) and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations of such Regulated Entity (or affiliate of such Regulated Entity);

BRRD means Directive 2014/59/EU of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms or such other directive as may come into effect in place thereof, as implemented into Polish law, as amended or replaced from time to time and including any other relevant implementing regulatory provisions;

CRD IV means any, or any combination of, the CRD IV Directive, the CRR, and any CRD IV Implementing Measures;

CRD IV Directive means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended from time to time, or such other directive as may come into effect in place thereof;

CRD IV Implementing Measures means any rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Regulator or any other relevant authority, which are applicable to the Issuer (on a stand alone basis) or the Group (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital or the minimum requirement for own funds and eligible liabilities, as the case may be, of the Issuer (on a stand alone basis) or the Group (on a consolidated basis);

CRR means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended from time to time, or such other regulation as may come into effect in place thereof;

Directive (EU) 2014/59/EU means Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy as amended by Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017;

Group means the Issuer and its consolidated subsidiaries;

Regulated Entity means any entity to which BRRD, as implemented in Poland and as amended or superseded from time to time, or any other Polish piece of legislation relating to the Bail-in Power, applies, which includes, certain credit institutions, investment firms, and certain of their parent or holding companies;

Regulator means the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) or such other or successor governmental authority exercising primary bank supervisory authority from time to time, in each case with respect to prudential matters in relation to the Issuer and/or the Group;

Senior Higher Priority Liabilities means any obligations in respect of principal of the Issuer under any Ordinary Senior Notes and any other unsecured and unsubordinated obligations of the Issuer having the same ranking in respect of the principal as the obligations of the Issuer under the Ordinary Senior Notes, other than the Senior Non Preferred Liabilities;

Senior Non Preferred Liabilities means any unsubordinated and unsecured senior non preferred obligations of the Issuer referred to in Article 108 paragraph 2 of Directive (EU) 2014/59/EU and in accordance with the provisions of Polish law implementing Directive (EU) 2014/59/EU, and as further amended from time to time, (including any Senior Non Preferred Notes) and any other obligations which, by law and/or by their terms, and to the extent permitted by Polish law, rank pari passu with the Senior Non Preferred Liabilities;

Senior Subordinated Liabilities means any subordinated obligation of the Issuer, ranking as subordinated debt which is not an Additional Tier 1 Note or a Tier 2 Note; and

Tier 2 Note means any subordinated obligation of the Issuer, which constitutes the Issuer's tier 2 instrument within the meaning of the CRR.

5. **Covenants**

Negative Pledge: So long as any Senior Note remains outstanding, the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

6. **Fixed Rate Note Provisions**

(a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*) as applicable. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issue and Principal Paying Agent has received all sums due in respect of the Notes up to such seventh day and notice to that effect has been given to Noteholders in accordance with Condition 21 (*Notices*) (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(e) *Notes accruing interest otherwise than a Fixed Coupon Amount:* This Condition 6(e) shall apply to Notes which are Fixed Rate Notes only where the Final Terms for such Notes specify that the Interest Payment Dates are subject to adjustment in accordance with the Business Day Convention specified therein. The relevant amount of interest payable in respect of each Note for any Interest Period for such Notes shall be calculated by the Calculation Agent by multiplying the product of the Rate of Interest and the Calculation Amount by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). The Calculation Agent shall cause the relevant amount of interest and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agents, the Registrar (in the case of Registered Notes) and the Noteholders in accordance with Condition 21 (*Notices*) and, if the Notes are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Business day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange.

(f) Reset Fixed Rate Notes

(i) *Rates of Interest and Interest Payment Dates:* Notes in relation to which this Condition 6(f) applies and the relevant Final Terms specify as being applicable shall bear interest:

(A) from (and including) their Interest Commencement Date until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;

(B) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(C) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

the relevant Rate of Interest being payable, in each case, in arrear on each Interest Payment Date specified in the relevant Final Terms.

(ii) *Fallbacks:* If on any Reset Determination Date, the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be the sum of the relevant Mid-Market Swap Rate Quotation (rounded, if necessary, to the nearest 0.001 per cent (0.0005 per cent. being rounded upwards)) and the First or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be (i) the rate determined on the previous Reset Determination Date (if any) or (ii) if there is no such previous Reset Determination Date, the Initial Rate of Interest, in each case, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period.

For the purposes of these Terms and Conditions:

First Margin means the margin specified as such in the applicable Final Terms;

First Reset Date means the date specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

First Reset Period means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date;

First Reset Rate of Interest means, in respect of the First Reset Period and subject to Condition 6(f)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

Initial Rate of Interest has the meaning specified in the applicable Final Terms;

Mid-Market Swap Rate means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration specified in the relevant Final Terms (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

Mid-Market Swap Rate Quotation means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

Mid-Swap Floating Leg Benchmark Rate means EURIBOR if the Specified Currency is euro or LIBOR if the Specified Currency is not euro;

Mid-Swap Rate means, in relation to a Reset Determination Date and subject to Condition 6(f)(ii), either:

(i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page (as specified in the applicable Final Terms) or such replacement page on that service which displays the information; or

(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards), of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date, which appear on the Relevant Screen Page (as specified in the applicable Final Terms) or such replacement page on that service which displays the information,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

Reference Banks means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

Reset Business Day means a day on which commercial banks are open for business and foreign exchange markets settle payments in any Reset Business Centre specified in the relevant Final Terms;

Reset Date means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

Reset Determination Date means, in respect of the First Reset Period, the second Reset Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Reset Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Reset Business Day prior to the first day of each such Subsequent Reset Period;

Reset Period means the First Reset Period or a Subsequent Reset Period, as the case may be;

Second Reset Date means the date specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

Subsequent Margin means the margin specified as such in the applicable Final Terms;

Subsequent Reset Date means the date or dates specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

Subsequent Reset Period means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

Subsequent Reset Rate of Interest means, in respect of any Subsequent Reset Period and subject to Condition 6(f)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

7. **Floating Rate Note Provisions**

(a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issue and Principal Paying Agent has received all sums due in respect of the Notes up to such seventh day and notice to that effect has been given to Noteholders in accordance with Condition 21 (*Notices*) (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; ***provided, however, that*** if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by four major banks in the principal financial centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the principal financial centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and

(iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

(e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

(a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issue and Principal Paying Agent has received all sums due in respect of the Notes up to such seventh day and notice to that effect has been given to the Noteholders in accordance with Condition 21 (*Notices*) (except to the extent that there is any subsequent default in payment).

9. Redemption and Purchase

(a) *Scheduled redemption*:

(i) Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*).

(ii) Tier 2 Subordinated Notes will have a maturity of not less than five years or as otherwise permitted in accordance with Applicable Banking Regulations in force at the relevant time.

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Registrar (in the case of Registered Notes), the Issue and Principal Paying Agent and, in accordance with Condition 21 (*Notices*) Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(a) in the case of any Notes which are not Tier 2 Notes, as a result of any change in, or amendment to, the laws or regulations of the Republic of Poland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after an agreement is reached to issue the first Tranche of the Notes:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*); and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) in the case of Senior Non Preferred Notes and Senior Subordinated Notes, the Issuer is no longer entitled to claim a deduction in respect of any payments in in computing its taxation liabilities or the value of such deduction to the Issuer would be materially reduced or the applicable tax treatment of the Senior Non Preferred Notes or Senior Subordinated Notes changes; or

(c) in the case of Tier 2 Subordinated Notes, there is a change in the applicable tax treatment of the instruments and the Issuer demonstrates to the satisfaction of the Regulator that such change is material and was not reasonably foreseeable at the Issue Date,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Final Terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Noteholders and the Issue and Principal Paying Agent: (A) a certificate signed by two members of the Management Board of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment; and (C) in the case of the Senior Notes or the Senior Subordinated Notes eligible to comply with the Applicable MREL Regulations or the Tier 2 Subordinated Notes, if required under Applicable Banking Regulations, a copy of the Regulator's and/or Relevant Resolution Authority's consent to the redemption.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

For the purposes of these Terms and Conditions, **Relevant Resolution Authority** means the Bank Guarantee Fund (*Bankowy Fundusz Gwarancyjny*), the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Bail-in Power from time to time.

(c) *Early Redemption due to Capital Disqualification Event:* If, in the case of Tier 2 Subordinated Notes only, a Capital Disqualification Event occurs as a result of a change (or any pending change which the Regulator considers sufficiently certain) in Polish law or Applicable Banking Regulations becoming effective on or after the Issue Date, the Issuer may, at its option and having given not less than 30 nor more than 60 calendar days' notice to the Registrar (in the case of Registered Notes); the Issue and Principal Paying Agent and, in accordance with Condition 21 (Notices), the Noteholders of the Tier 2 Subordinated Notes (which notice shall be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions all, but not some only, of the Tier 2 Subordinated Notes.

Tier 2 Subordinated Notes redeemed pursuant to this Condition 9(c) will be redeemed at their early redemption amount (the **Early Redemption Amount (Capital Disqualification Event)**) (which shall be their principal amount or a such other Early Redemption Amount (Capital Disqualification Event) as may be specified in the relevant Final Terms) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Redemption of Tier 2 Subordinated Notes for regulatory reasons pursuant to this Condition 9(c) is subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

For the purposes of these Terms and Conditions:

Applicable Banking Regulations means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Issuer and/or the Group including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect of the Regulator and/or the Relevant Resolution Authority, in each case to the extent then in effect in Poland (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the Group);

Capital Disqualification Event means a change in the regulatory classification of the Tier 2 Subordinated Notes that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, which, if the redemption of the relevant Tier 2 Subordinated Notes is proposed to be made prior to the fifth anniversary of the Issue Date, the Regulator considers to be sufficiently certain and the Issuer demonstrates to the satisfaction of the Regulator that the change in the regulatory classification was not reasonably foreseeable at the Issue Date; and

Tier 2 Capital means tier 2 capital as provided under the Applicable Banking Regulations.

(d) *Early Redemption due to MREL Disqualification Event:* If, in the case of Senior Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes where the MREL Disqualification Event has been specified as applicable in the relevant Final Terms only, following the MREL Requirement Date, a MREL Disqualification Event has occurred and is continuing, then the Issuer may, at its option and having given not less than 30 nor more than 60 days' notice to the Registrar (in the case of Registered Notes); the Issue and Principal Paying Agent and, in accordance with Condition 21 (Notices), the Noteholders of the relevant Notes (as applicable) (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions all, but not some only, of the relevant Notes (as applicable). Upon the expiry of such notice, the Issuer shall redeem the relevant Notes (as applicable).

Notes redeemed pursuant to this Condition 9(d) will be redeemed at their early redemption amount (the **Early Redemption Amount (MREL Disqualification Event)**) (which shall be their principal amount or such other Early Redemption Amount (MREL Disqualification Event) as may be specified in or determined in accordance with the relevant Final Terms) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Redemption of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes where the MREL Disqualification Event has been specified as applicable in the relevant Final Terms, for regulatory reasons pursuant to this Condition 9(d) will be subject to the prior consent of the Regulator and/or the Relevant Resolution Authority as set out in Conditions 9(l) (*Conditions to Early Redemption and Purchase of Tier 2 Subordinated Notes*) and 9(m) (*Conditions to Redemption and Purchase of Ordinary Senior Notes eligible to comply with Applicable MREL Regulations, Senior Non-Preferred Notes and Senior Subordinated Notes*).

For the purposes of these Terms and Conditions:

Applicable MREL Regulations means, at any time, the laws, regulations, requirements, guidelines and policies then in effect in Poland giving effect to the MREL or any successor principles then applicable to the Issuer and/or the Group, including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies giving effect to MREL or any successor principles then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the Group);

EC Proposals means the European Commission's proposals to amend and supplement certain provisions of the CRD IV Directive, the CRR, the SRM Regulation and the BRRD;

MREL means the "minimum requirement for own funds and eligible liabilities" for credit institutions under the BRRD, set in accordance with Article 45 of the BRRD (as transposed in Poland), Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities, or any successor requirement under EU legislation and relevant implementing legislation and regulation in Poland;

MREL Disqualification Event means at any time, on or following the MREL Requirement Date, that all or part of the outstanding nominal amount of: the Senior Subordinated Notes; the Senior Non Preferred Notes or the Ordinary Senior Notes where the MREL Disqualification Event has been specified as applicable in the relevant Final Terms, does not fully qualify as MREL-Eligible Notes of the Issuer and/or the Group, except where such non-qualification: (i) is due solely to the remaining maturity of the relevant Notes (as applicable) being less than any period prescribed for MREL-Eligible Notes by the Applicable MREL Regulations: or (ii) is as a result of the relevant Notes (as applicable) being bought back by or on behalf of the Issuer or a buy back of the relevant Notes which is funded by or on behalf of the Issuer; or (iii) in the case of Ordinary Senior Notes where the MREL Disqualification Event has been specified as applicable in the relevant Final Terms, is due to the relevant Ordinary Senior Notes not meeting any requirement in relation to their ranking upon insolvency of the Issuer or any limitation on the amount of such Notes that may be eligible for the inclusion in the amount of MREL-Eligible Notes of the Issuer and/or the Group.

A MREL Disqualification Event shall, without limitation, be deemed to include where any non-qualification of the Senior Subordinated Notes, Senior Non Preferred Notes or, as applicable, Ordinary Senior Notes as MREL-Eligible Notes arises as a result of (a) any legislation which gives effect to the EC Proposals in Poland differing in any respect from the form of the EC Proposals as published by the European Commission on 23 November 2016 (the **Draft EC Proposals**) (including if the EC Proposals are not implemented in full in Poland), or (b) the official interpretation or application of the Draft EC Proposals or the EC Proposals as implemented in Poland (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the manner in which the Draft EC Proposals have been reflected in these Terms and Conditions;

MREL-Eligible Notes means an instrument that complies with the Applicable MREL Regulations;

MREL Requirement Date means the time from which the Issuer and/or the Group is obliged to meet any MREL Requirements; and

MREL Requirements means the minimum requirement for own funds and eligible liabilities applicable to the Issuer and/or the Group under the Applicable MREL Regulations.

(e) *Redemption at the option of the Issuer:* If Issuer Call is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Registrar (in the case of Registered Notes); the Issue and Principal Paying Agent and, in accordance with Condition 21 (*Notices*), the Noteholders of the relevant Notes (as applicable), or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the applicable amount specified in the relevant Final Terms (together with accrued interest to (but excluding) the relevant Optional Redemption Date (Call)) at either:

(i) the Optional Redemption Amount (Call); or

(ii) the Make Whole Redemption Price.

The **Make Whole Redemption Price** will, in respect of Notes to be redeemed, be:

(A) if **Sterling Make Whole Redemption Amount** is specified as being applicable in the relevant Final Terms an amount equal to the higher of (i) 100 per cent. of the principal amount of such Notes and (ii) the principal amount of such Notes multiplied by the price (expressed as a percentage), as reported in writing to the Issuer by the Determination Agent (if applicable), at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (as determined by reference to the middle market price) at the Quotation Time on the Reference Date of the Reference Bond, plus the Redemption Margin, as determined by the Determination Agent; or

(B) if **Non-Sterling Make Whole Redemption Amount** is specified in the applicable Final Terms an amount equal to the higher of (i) 100 per cent. of the principal amount of such Notes and (ii) the principal amount of such Notes multiplied by the price (expressed as a percentage), as reported in writing to the Issuer by the Determination Agent (if applicable), at which the yield to maturity on such Notes on the Reference Date is equal to the Reference Bond Rate at the Quotation Time on the Reference Date, plus the Redemption Margin, as determined by the Determination Agent.

In the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes eligible to comply with Applicable MREL Regulations, redemption at the option of the Issuer pursuant to this Condition 9(e) will be subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

(f) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(e) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots on a pro rata basis in such place as the Issue and Principal Paying Agent approves and in such manner as the Issue and Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(e) (*Redemption at the option of the Issuer*), (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) shall specify the serial numbers of the Notes so to be redeemed (which will be published by the Issuer in accordance with Condition 19 not less than 15 days prior to the date fixed for redemption), and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Redemption at the option of Noteholders:* If Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(g), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(g), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(g), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(h) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(i) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount calculated by the Issuer equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(i) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) *Purchase:* Subject to Condition 9(m) in respect of Ordinary Senior Notes, Senior Non Preferred Notes and Senior Subordinated Notes, and Condition 9(l) in respect of Tier 2 Subordinated Notes, the Issuer or any subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation.

Tier 2 Subordinated Notes may only be purchased by the Issuer or any of the Issuer's subsidiaries, if and to the extent permitted by the Applicable Banking Regulations (as defined in Condition 9(d)) at the relevant time the Notes to be purchased (a) comply with any applicable threshold as may be requested or required by the Resolution Authority from time to time and (b) are purchased in order to be surrendered to any Paying Agent for cancellation.

(k) *Cancellation:* All Notes redeemed or purchased and surrendered for cancellation and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

(l) *Conditions to Early Redemption and Purchase of Tier 2 Subordinated Notes*: Any redemption or purchase of Tier 2 Subordinated Notes in accordance with Conditions 9(b) (*Redemption for tax reasons*), 9(c) (*Early Redemption due to Capital Disqualification Event*), 9(e) (*Redemption at the option of the Issuer*) or 9(j) (*Purchase*) is subject to:

(i) the Issuer giving notice to the relevant Regulator and such Regulator granting prior permission to redeem or purchase the relevant Subordinated Notes (in each case to the extent, and in the manner, required by the relevant Applicable Banking Regulations, including Articles 77(b) and 78 of the CRD IV Regulation); and

(ii) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Applicable Banking Regulations for the time being.

(m) *Conditions to Redemption and Purchase of Ordinary Senior Notes eligible to comply with Applicable MREL Regulations, Senior Non-Preferred Notes and Senior Subordinated Notes:* Any redemption or purchase in accordance with Conditions 9(b) (*Redemption for tax reasons*), 9(d) (*Early Redemption due to MREL Disqualification Event*), 9(e) (*Redemption at the option of the Issuer*) or 9(j) (*Purchase*) of Ordinary Senior Notes, eligible to comply with Applicable MREL Regulations, Senior Non-Preferred Notes and/or Senior Subordinated Notes is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Applicable MREL Regulations at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Ordinary Senior Notes, eligible to comply with Applicable MREL Regulations, Senior Non-Preferred Notes and/or Senior Subordinated Notes at such time as eligible liabilities available to meet the MREL Requirements).

(n) *Agents:* The Agents are not responsible for verifying the Issuer's compliance with the conditions for redemption or purchase of the Notes under this Condition 9 (*Redemption and Purchase*).

10. **Payments - Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency, or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the **Relevant Coupons**) being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(g) (*Redemption at the option of Noteholders*), Condition 9(e) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Issue and Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 16 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. Payments - Registered Notes

This Condition 11 is only applicable to Registered Notes.

(a) *Principal:* Payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency (or in the case of euro, in a city in which banks have access to the TARGET System) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency and (or in the case of euro, in a city in which banks have access to the TARGET System) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the **Record Date**).

12. **Taxation**

(a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Republic of Poland or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts of principal and interest, in the case of Ordinary Senior Notes, Senior Non Preferred Notes or Senior Subordinated Notes (if permitted by the Applicable MREL Regulations), or interest only, in the case of Tier 2 Subordinated Notes, as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon;

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or

(iii) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or any official interpretations thereof.

(b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than Republic of Poland respectively, references in these Conditions to Republic of Poland shall be construed as references to Republic of Poland and/or such other jurisdiction.

13. Events of Default

(a) *Events of Default with respect to Ordinary Senior Notes*

Unless otherwise specified in the relevant Final Terms, if any of the following events occurs and is continuing:

(i) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Ordinary Senior Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Ordinary Senior Notes on the due date for payment thereof and such default continues for a period of seven days; or

(ii) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Ordinary Senior Notes and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer by any Ordinary Senior Noteholder, has been delivered to the Issuer and to the Specified Office of the Issue and Principal Paying Agent; or

(iii) *Cross-default of Issuer or Material Subsidiary*:

(A) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(B) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, or (as the case may be) the relevant Material Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(C) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds EUR50,000,000 (or its equivalent in any other currency or currencies); or

(iv) *Insolvency etc:* (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Material Subsidiaries or the whole or any/a substantial part of the undertaking, assets and revenues of the Issuer, or any of its Material Subsidiaries, (iii) the Issuer, or any of its respective Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(v) *Winding up etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, or any of its Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent);

(vi) *Analogous event:* any event occurs which under the laws of Republic of Poland has an analogous effect to any of the events referred to in paragraphs (iv) to (v) above; or

(vii) Unlawfulness: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Ordinary Senior Notes.

then any Ordinary Senior Note may, by written notice addressed by the Noteholder thereof to the Issuer and delivered to the Issuer and to the Specified Office of the Issue and Principal Paying Agent (and addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

(b) ***No Events of Default for Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes***

Save as provided below, there are no events of default under the Subordinated Notes, the Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes, which could lead to an acceleration of the relevant Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes.

However, if an order is made by any competent court commencing insolvency proceedings against the Issuer or if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer and such order is continuing, then any Holder of a Note may, unless there has been a resolution to the contrary by the Noteholders, by written notice addressed by the Noteholder thereof to the Issuer and delivered to the Issuer and to the Specified Office of the Issue and Principal Paying Agent (and addressed to the Issuer), be declared immediately due and payable, whereupon the principal amount of such Notes together with any accrued and unpaid interest thereon to the date of payment shall become immediately due and payable without further action or formality.

Notwithstanding the above, if default is made in the payment of any interest or principal due in respect of the Notes and such default continues for a period of 14 days then unless there has been a resolution to the contrary by the Noteholders (which resolution shall be binding on all Noteholders), any Holder in respect of the Senior Non Preferred Notes or Ordinary Senior Notes, as the case may be, held by such Holder, may institute proceedings for the winding up or dissolution of the Issuer but may take no further or other action in respect of such default.

Neither a cancellation of the Notes, a reduction, in part or in full, of the principal amount of the Notes or any accrued and unpaid interest on the Notes, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of any Bail-in Power by the Relevant Resolution Authority with respect to the Notes will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Noteholders to any remedies (including equitable remedies), which are hereby expressly waived.

14. Waiver of Set-off

If this Condition 14 is specified in the relevant Final Terms as being applicable to the Notes, no Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Issuer has or may have or acquire against such Holder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such Note) and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer and accordingly any such discharge shall be deemed not to have taken place.

For the avoidance of doubt, nothing in this Condition is intended to provide, or shall be construed as acknowledging, any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is or would be available to any Holder of any Note but for this Condition.

For the purposes of these Terms and Conditions:

Waived Set-Off Rights means any and all rights of or claims of any Holder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note.

15. Substitution and Variation

If this Condition 15 is specified in the relevant Final Terms as being applicable to the Notes, and (i) a Capital Disqualification Event, (ii) an MREL Disqualification Event or (iii) a circumstance giving rise to the right of the Issuer to redeem the Notes for taxation reasons under Condition 9(b) occurs and is continuing, the Issuer may substitute all (but not some only) of the Notes (as the case may be) or modify the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, so that they are substituted for, or varied to, become, or remain, Qualifying Notes, subject to having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 21, the Registrar and the Issue and Principal Paying Agent (which notice shall be irrevocable and shall specify the date for substitution or, as applicable, variation), and subject to obtaining the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and in accordance with Applicable Banking Regulations in force at the relevant time.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Noteholders can inspect or obtain copies of the new terms and conditions of the Notes. Such substitution or variation will be effected without any cost or charge to the Noteholders.

Noteholders shall, by virtue of subscribing and/or purchasing and holding any Notes, be deemed to accept the substitution or variation of the terms of such Notes and to grant to the Issuer full power and authority to take any action and/or to execute and deliver any document in the name and/or on behalf of the Noteholders which is necessary or convenient to complete the substitution or variation of the terms of the Notes.

In these Terms and Conditions:

Qualifying Notes means, at any time, any securities denominated in the Specified Currency and issued directly by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 25 (*Recognition of the Polish Bail-in Power*), have terms not otherwise materially less favourable to the Noteholders than the terms of the Notes provided that the Issuer shall have delivered a certificate signed by two Authorised Signatories to that effect to the Noteholders not less than five Business Days prior to (x) in the case of a substitution of the Notes pursuant to this Condition 15, the issue date of the relevant securities or (y) in the case of a variation of the Notes pursuant to this Condition 15, the date such variation becomes effective, provided that such securities shall:

(i) (a) in the case of Notes eligible to comply with Applicable MREL Regulations, if the MREL Requirement Date has occurred, contain terms which comply with the then current requirements for MREL-Eligible Notes as embodied in the Applicable MREL Regulations, and (b) in the case of Tier 2 Subordinated Notes, contain terms which comply with the then current requirements for their inclusion in the Tier 2 Capital of the Issuer; and

(ii) carry the same rate of interest as the Notes prior to the relevant substitution or variation pursuant to this Condition 15; and

(iii) have the same denomination and aggregate outstanding principal amount as the Notes prior to the relevant substitution or variation pursuant to this Condition 15; and

(iv) have the same date of maturity and the same dates for payment of interest as the Notes prior to the relevant substitution or variation pursuant to this Condition 15; and

(v) have at least the same ranking as set out in Condition 4; and

(vi) not, immediately following such substitution or variation, be subject to a Capital Disqualification Event, a MREL Disqualification Event and/or an early redemption right for taxation reasons according to Condition 9(b), as applicable; and

(vii) be listed or admitted to trading on any stock exchange as selected by the Issuer, if the Notes were listed or admitted to trading on a stock exchange immediately prior to the relevant substitution or variation pursuant to this Condition 15.

16. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of

Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

17. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Issue and Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

18. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor issue and principal paying agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that**:

(a) the Issuer shall at all times maintain an issue and principal paying agent and a registrar; and

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

19. **Meetings of Noteholders; Modification, Waiver and Substitution**

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of

Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may, without the consent of the Noteholders, agree to modify any provision thereof.

(c) *Substitution*: The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes such wholly owned subsidiary of the Issuer (the **Substitute**) as is specified in the Agency Agreement, provided that no payment in respect of the Notes is at the relevant time overdue. The substitution shall be made by a deed poll (the **Deed Poll**), to be substantially in the form exhibited to the Agency Agreement, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder against any Taxes which are imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note and which would not have been so imposed had the substitution not been made, as well as against any Taxes and any cost or expense, relating to the substitution, (ii) the obligations of the Substitute under the Deed Poll and the Notes shall be unconditionally guaranteed by the Issuer by means of the Deed Poll, (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll and the Notes represent valid, legally binding and enforceable obligations of the Substitute and, in the case of the Deed Poll, of the Issuer have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, (v) legal opinions addressed to the Noteholders shall have been delivered to them from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this Condition 19(c) and the other matters specified in the Deed Poll and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of the Issuer. References in Condition 13 (*Events of Default*) to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 13 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect and the provisions of Conditions 13(a)(iv) to 13(a)(vii) inclusive shall be deemed to apply in addition to the guarantor.

20. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

21. Notices

(a) *Bearer Notes:* Notices to the Noteholders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders of Bearer Notes.

(b) *Registered Notes:* Notices to the Noteholders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

22. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the **first currency**) in which the same is payable under these Conditions or such order or judgment into another currency (the **second currency**) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer and to the Specified Office of the Issue and Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. **Governing Law and Jurisdiction**

(a) *Governing law*: The Notes, the Deed of Covenant and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Deed of Covenant and the Agency Agreement are governed by English law, except that Conditions 4 (*Status*) and 25 (*Recognition of the Polish Bail-in Power*) are governed by Polish law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a **Dispute**) arising out of or in connection with the Notes, the Deed of Covenant and the Agency Agreement (including any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Notwithstanding Condition 24(b) (*English courts*), any Noteholder may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Service of process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco Santander, S.A., London Branch, 2 Triton Square, Regent's Place, London NW1 3AN, United Kingdom, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

25. RECOGNITION OF THE POLISH BAIL-IN POWER

(a) Agreement and Acknowledgement

(i) Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements, or understandings between the Issuer and any Noteholder, by its acquisition of the Notes, each Noteholder (which, for the purposes of this Condition 25, includes each holder of a beneficial interest in the Notes) acknowledges and accepts that the Amounts Due arising under the Notes may be subject to the exercise of the Bail-in Power by the Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

(A) the exercise and effect of the Bail-in Power by the Resolution Authority (which may be imposed without any prior notice to the Noteholders), which, without limitation, may include and result in any of the following, or some combination thereof:

(I) the reduction or cancellation of all, or a portion, of the Amounts Due;

(II) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Noteholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;

(III) the cancellation of the Notes; and

(IV) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(B) the variation of the terms of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of the Bail-in Power by the Resolution Authority.

The exercise of the Bail-Power by the Resolution Authority pursuant to any relevant laws, regulations, rules or requirements in effect in Poland is not dependant on the application of this Condition 25.

(ii) *Agents' Liability:* Upon the exercise of any Bail-in Power by the Resolution Authority, (a) the Agents shall not be required to take any directions from Noteholders, and (b) the Issue and Paying Agency Agreement shall impose no duties upon any of the Agents whatsoever, in each case with respect to the exercise of any Bail-in Power by the Resolution Authority. The Agents shall not be responsible for the consequences of any write-down, cancellation, amendment or conversion of any Notes (in whole or in part) or any claims in respect thereof, and the Agents shall not be responsible for any calculation or determination or the verification of any calculation or determination in connection with the foregoing.

(b) **Payment of Interest and Other Outstanding Amounts Due**

No repayment or payment of Amounts Due will become due and payable or be paid after the exercise of any Bail-in Power by the Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

(c) **No Event of Default**

Neither a reduction or cancellation, in part or in full, of the Amounts Due nor the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Resolution Authority with respect to the Issuer and/or the Notes will be an Event of Default.

(d) **Notice to Noteholders**

Upon the exercise of the Bail-in Power by the Resolution Authority with respect to the Issuer and/or the Notes, the Issuer will give notice to the Noteholders in accordance with Condition 21 as soon as practicable regarding such exercise of the Bail-in Power. The Issuer will also deliver a copy of such notice to the Agents for information purposes.

(e) **Definitions**

For the purposes of the Conditions:

Amounts Due means the principal amount of, or outstanding amount due under, the Notes, together with any accrued but unpaid interest due on the Notes. References to such amount will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Bail-in Power by the Resolution Authority.

Resolution Authority means the Bank Guarantee Fund (*Bankowy Fundusz Gwarancyjny*).

FORM OF FINAL TERMS

[**IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS -** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

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

Final Terms dated [•]

Bank Zachodni WBK S.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the EUR5,000,000,000 Euro Medium Term Note Programme

LEI Code: 259400LGXW3K0GDAG361

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated 28 August 2018 [and the supplement[s] to it dated [•]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the websites of the [Irish Stock Exchange plc trading as Euronext Dublin (www.ise.ie) [and]]/[Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) (www.gpw.pl)] and the Issuer (www.bzwbk.pl).

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

1.	(i)	Series Number:	[•]

	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 2 below [which is expected to occur on or about [•]].
2.	Specified Currency or Currencies:		[•]
3.	Aggregate Nominal Amount:		[•]
	[(i)	Series:	[•]
	(ii)	Tranche:	[•]
4.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
5.	(i)	Specified Denominations:	[•][and [•]] subject to an initial minimum denomination of EUR100,000 or its equivalent in any other currency
	(ii)	Calculation Amount:	[•]
6.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[[•]/Issue Date/Not Applicable]
7.	Maturity Date:		[•]
8.	Interest Basis:		[[•] per cent. Fixed Rate] [EURIBOR/LIBOR/WIBOR] +/– [•] per cent. Floating Rate] [Fixed Rate Reset Notes] [Zero Coupon] (further particulars specified below)
9.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
10.	Change of Interest Basis:		[For the period from (and including) the Interest Commencement Date up to (but excluding) [•] paragraph [14]/[16] applies and for the period from (and including) [•] up to (and including) the Maturity Date paragraph [14]/[16] applies]/[Not Applicable]

11.	Put/Call Options:	Issuer Call pursuant to Condition 9(b) is [Applicable/Not Applicable] [See paragraph 18 below] Investor Put pursuant to Condition 9(g) is [Applicable/Not Applicable] [See paragraph 19 below] Issuer Call – Capital Disqualification Event pursuant to Condition 9(c) is [Applicable/Not Applicable] Issuer Call – MREL Disqualification Event pursuant to Condition 9(d) is [Applicable/Not Applicable] [(further particulars specified below)]
12.	Status of the Notes:	[Senior Notes – Ordinary Senior Notes/Senior Notes – Senior Non Preferred Notes – Subordinated Notes - Senior Subordinated Notes/Subordinated Notes – Tier 2 Subordinated Notes]
	(a) Senior:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Status:	[Ordinary/Senior Non Preferred]
	(ii) Events of Default:	[Condition 13(a) (Events of Default with respect to Ordinary Senior Notes) applies / Condition 13(b) (No Events of Default for Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes)] applies
	(b) Subordinated:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Status:	[Senior Subordinated/Tier 2 Subordinated]
13.	Date of Management Board approval for issuance of Notes obtained:	[•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[•] per cent. per annum payable in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	[•] in each year up to and including the Maturity Date

	(iii)	Fixed Coupon Amount[(s)]:	[[•] per Calculation Amount/Not Applicable] *For Notes where the Interest Payment Dates are subject to modification: The amount of interest payable for any Interest Period is to be calculated in accordance with Condition 7 (Floating Rate Note Provisions)]*
	(iv)	Broken Amount(s):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]]/[Not Applicable]
	(v)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis]
	(vi)	Determination Date:	[•]
15.	**Reset Fixed Rate Notes Provisions**		[Applicable/Not Applicable] (*If applicable, Condition 6(e) of the Terms and Conditions of the Notes will apply)* (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Initial Rate of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	First Margin:	[+/-][•] per cent. per annum
	(iii)	Subsequent Margin:	[[+/-][•] per cent. per annum] [Not Applicable]
	(iv)	Interest Payment Date(s):	[•] in each year [adjusted in accordance with [*Business Day Convention*]/[not adjusted] up to and including the Maturity Date
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[•] per Calculation Amount [for the [•] Interest Period] [*repeat information if necessary*]
	(vi)	First Reset Date:	[•] [adjusted in accordance with [*Business Day Convention*]/[not adjusted]
	(vii)	Second Reset Date:	[•]/[Not Applicable] [adjusted in accordance with [*Business Day Convention*]/[not adjusted]
	(viii)	Subsequent Reset Date(s):	[•] [and [•]] [adjusted in accordance with [*Business Day Convention*]/[not adjusted].
	(ix)	Relevant Screen Page:	[•]
	(x)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-swap Rate]
	(xi)	Mid-Swap Maturity:	[•]
	(xii)	Fixed Leg Swap Duration:	[•]

	(xiii)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis]
	(xiv)	Determination Dates:	[•] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*).
	(xv)	Reset Business Centre:	[•]
	(xvi)	Party responsible for calculating the Rate of Interest and/or Interest Amount (if not the Issue and Principal Paying Agent)	[•]/[Not Applicable]
16.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] *If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Specified Period:	[•]
	(ii)	Specified Interest Payment Dates:	[•] in each year up to and including the Maturity Date
	(iii)	First Interest Payment Date:	[•]
	(iv)	Business Day Convention:	[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention]
	(v)	Additional Business Centre(s):	[Not Applicable/[•]]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Issue and Principal Paying Agent):	[[•] shall be the Calculation Agent]
	(viii)	Screen Rate Determination:	
		• Reference Rate:	[•][EURIBOR/LIBOR/WIBOR]
		• Interest Determination Date(s):	[•]
		• Relevant Screen Page:	[•]
		• Relevant Time:	[•]
		• Relevant Financial Centre:	[•]
	(ix)	ISDA Determination:	

	•	Floating Rate Option:	[•]
	•	Designated Maturity:	[•]
	•	Reset Date:	[•]
	(x)	Linear Interpolation:	Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
	(xi)	Margin(s):	[+/-][•] per cent. per annum
	(xii)	Minimum Rate of Interest:	[•] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
	(xiv)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis]
17.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Accrual Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]
	(iii)	Day Count Fraction in relation to early Redemption Amounts:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis]

PROVISIONS RELATING TO REDEMPTION

18.	**Call Option**		[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Optional Redemption Date(s) (Call):	[[•]/Any date from and including [*date*] to but excluding [*date*]]
	(ii)	Optional Redemption Amount(s) (Call) of each Note:	[[•] per Calculation Amount/Make Whole Redemption Price] [in the case of the Optional Redemption Date(s) falling [on]]/[in the period from and including [*date*] to but excluding [*date*]]
	[(iii)	Make Whole Redemption Price:	[Non-Sterling Make Whole Redemption Amount / Sterling Make Whole Redemption Amount/Not Applicable]
			(*If not applicable delete the remaining sub paragraphs*

			(a) – (c) of this paragraph)]
	[[(a)	Redemption Margin:	[•] per cent.]
	[[(b)	Reference Bond:	[•]]
	[[(c)	Quotation Time:	[•]]
	(iv)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount	[•] per Calculation Amount
	(iv)	Notice period:	[•]
19.	**Put Option**		[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Optional Redemption Date(s) (Put):	[•]
	(ii)	Optional Redemption Amount(s) (Put) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	Notice period:	[•]
20.	**Capital Disqualification Event in respect of Tier 2 Subordinated Notes**		
	(i)	Optional Redemption Amount (Capital Disqualification Event):	[[•] per Calculation Amount / Condition 9(c) not Applicable]
21.	**MREL Disqualification Event**		[Applicable/Not Applicable]
	(i)	Optional Redemption Amount (MREL Disqualification Event):	[[•] per Calculation Amount / Not Applicable]
22.	**Final Redemption Amount**		[•] per Calculation Amount
23.	**Early Termination Amount**		[•] per Calculation Amount
24.	**Early Redemption Amount (Tax)**		[[•] per Calculation Amount / Not Applicable]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:		

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	**Form of Notes:**	[Bearer Notes:] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice] [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] (*The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.)* [Registered Notes] Global Registered Note exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Registered Note [and Global Registered Note [(U.S.$/Euro [•] nominal amount)] registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS)).
26.	New Global Note:	[Yes] [No]
27.	Additional Financial Centre(s) or other special provisions relating to payment date:	[Not Applicable/*give details*. *Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest end dates, to which sub paragraph 16(v) relates]*
28.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are

		left.]
29.	Waiver of Set-Off	[Applicable/Not Applicable]
30.	Substitution and Variation	[Applicable/Not Applicable]

Signed on behalf of Bank Zachodni WBK S.A.:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1.	**LISTING AND ADMISSION TO TRADING**	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on to trading on the regulated market of the [Irish Stock Exchange plc trading as Euronext Dublin]/[Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*)] with effect from [•].]/[Not applicable]
2.	**RATINGS**	The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:
	Ratings:	[Standard & Poor's: [•]] [Moody's: [•]] [Fitch: [•]] [[Other]: [•]] [•] is established in the EEA and registered under Regulation (EC) No. 1060/2009, as amended / [•] is not established in the EEA but the rating it has given to the Notes is endorsed by [•], which is established in the EEA and registered under Regulation (EC) No. 1060/2009, as amended / [•] is not established in the EEA but is certified under Regulation (EC) No. 1060/2009, as amended / [•].

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

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

4. **REASONS FOR THE OFFER AND TOTAL EXPENSES**

(i)	Reasons for the offer	[•] *(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*
(ii)	Estimate of total expenses related to admission to trading:	[•]

	[*Include breakdown of expenses*]

5. **[*Fixed Rate Notes only* – YIELD**

Indication of yield:	[•]
	[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[*Floating Rate Notes only* - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/WIBOR] rates can be obtained from [Reuters].]

7. **OPERATIONAL INFORMATION**

ISIN:	[•]
Common Code:	[•]
[FISN:	[•]]
[CFI Code:	[•]]
Delivery	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[•]
[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [*include this text for registered notes*]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [[and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for

Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. **DISTRIBUTION**

(i)	Method of distribution:		[Syndicated/Non-syndicated]
(ii)	If syndicated:		[Not Applicable / *give names, addresses and underwriting commitments*]
	(a)	Names and addresses of Dealers and underwriting commitments:	[•] *(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Dealers.)*
	(b)	Date of subscription agreement:	[•]
	(c)	Stabilising Manager(s) (if any):	[Not Applicable/[•]]
(iii)	If non-syndicated, name and address of Dealer:		[Not Applicable/*give name and address*]
(iv)	US Selling Restrictions:		[Reg. S Compliance Category [1/2]; TEFRA C/TEFRA D / TEFRA not applicable]
(v)	Relevant Benchmark[s]:		[[*specify benchmark*] is provided by [*administrator legal name*]][*repeat as necessary*]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmark Regulation]/[Not Applicable]
(vi)	[Prohibition of Sales to EEA Retail Investors:		[Applicable]/[Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes may constitute "packaged" products, "Applicable" should be specified.*)]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which,

For so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an **Accountholder**) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Registered Note.

Conditions applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: In the case of a Global Note, or a Global Registered Note, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the **Record Date**) where **Clearing System Business Day** means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Exercise of Put Option: In order to exercise the option contained in Condition 9(g) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note give notice of such exercise to the Issue and Principal Paying Agent, in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and/or other relevant clearing system, specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(e) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

TAXATION

The following is a discussion of certain Polish tax considerations relevant to an investor resident in Poland or which is otherwise subject to Polish taxation. This statement should not be understood as tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as at the date of this Base Prospectus, it may thus be subject to change, including with retroactive effect. Any change may negatively affect the tax treatments described below. This description does not purport to be complete regarding all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Notes are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal, redemption and transfer without consideration of the Notes. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (eg domestic or foreign investment funds).

The reference to "interest" as well as to any other terms in the paragraphs below means "interest" or any other term as understood in Polish tax law.

Taxation of a Polish tax resident private investor (individual)

Under Art. 3.1 of the Personal Income Tax Act dated 26 July 1991 (the **PIT Act**), individuals, if residing in the Republic of Poland, are liable for tax on their total income (revenue) irrespective of the location of the sources of revenue (unlimited obligation to pay tax).

Under Art. 3.1a of the PIT Act, a Polish tax resident individual is an individual who has his/her centre of personal or business interests located in Poland or who stays in Poland for more than 183 days a year, unless a relevant tax treaty dictates otherwise.

Withholding tax on interest income

Under Art. 30a.7 of the PIT Act, interest income does not cumulate with general income subject to the progressive tax rate, but under Art. 30a.1.2 of the PIT Act it is subject to 19 per cent. flat rate tax.

Under Art. 41.4 of the PIT Act, the interest payer, other than an individual not acting within the scope of his/her business activity, should withhold the 19 per cent. Polish tax on any interest payment.

Under the Art. 41.4d of the PIT Act, entities operating securities accounts for individuals, acting as tax remitters, should withhold this interest income if such interest income (revenue) has been earned in Poland and is connected with securities registered in said accounts, and the interest payment to the individual (the taxpayer) is made through those entities.

There are no regulations defining in which cases income earned (revenue) by a Polish tax resident should be considered income (revenue) earned in Poland. However, as of 1 January 2017 a new regulation addressing the source of income regarding non-residents has been in force and it cannot be excluded that in practice the tax authorities will consider that the same situations should indicate a Polish source of income for Polish tax residents. Pursuant to Art. 3.2b of the PIT Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

(a) work performed in the Republic of Poland based on a service relationship, employment relationship, outwork system and co-operative employment relationship irrespective of the place where remuneration is paid;

(b) activity performed in person in the Republic of Poland irrespective of the place where remuneration is paid;

(c) economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;

(d) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from disposal of any rights to such property;

(e) securities and derivatives other than securities, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these securities or derivatives, or the exercise of rights resulting from them;

(f) the transfer of ownership of shares in a company, of all rights and obligations in a partnership without a legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity, receivables which are a consequence of holding those shares, rights and obligations or participation—if at least 50 per cent. of the value of the assets of this company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;

(g) the receivables settled, including receivables put at disposal, paid out or deducted, by individuals, legal entities, or organisational units without a legal personality, that have their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding and performing the agreement.

Given the above, each situation should be analysed to determine whether interest earned by a Polish tax resident individual from the Notes is considered to be income sourced in Poland and whether the entity operating the securities account for the individual will withhold the tax.

It could be argued that interest from securities admitted to public trading in a country other than Poland (the Notes listed in Ireland) should be considered as income (revenue) not earned in Poland, applying argumentum a contrario to point (e) above; however, the tax authorities would be more likely to consider the interest from the Notes as sourced in Poland, because the Issuer is a Polish company. If this is the case, it should be expected that a Polish entity operating the securities account for the individual will withhold the tax but a non-Polish entity operating the securities account for the individual will not withhold the tax. This is because although this is not clearly regulated in Polish tax law, according to the established practice, foreign entities do not act as Polish withholding tax remitters. Therefore, it should be expected that if a non-Polish entity operates the securities account for the individual it will not withhold the tax. It is not entirely clear whether in such case (i.e. if a payment is made through a foreign entity operating a securities account and not collecting the withholding tax) the Issuer should or should not withhold the tax. According to the general ruling of 5 April 2018 issued by the Minister of Finance in relation to Polish resident individuals who receive interest on covered bonds (Ref.: DD5.8201.07.2018) (the **Ruling**), in cases where the withholding tax is not collected by a foreign entity operating a securities account the issuer should not be obliged to withhold tax. Although the Ruling concerned covered bonds only, there appear to be no reasons why treatment of the Notes should be different. Consequently, following the reasoning used in the Ruling the noteholders should be obliged to settle tax on their own in line with Art. 45.3b of the PIT Act, which provides that if the tax is not withheld by the tax remitter, the individual is obliged to settle the tax himself/herself. The individuals should settle the tax by 30 April of the following year.

Separate, specific rules apply to interest income on securities held in Polish omnibus accounts (within the meaning of the provisions of the Act on Trading in Financial Instruments dated 29 July 2005 (the **Act on Trading in Financial Instruments**, the **Omnibus Accounts**). Under Art. 41.10 of the PIT Act, as far as securities registered in Omnibus Accounts are concerned, entities operating Omnibus Accounts through which the amounts due are paid are liable to withhold the flat-rate income tax on interest income. The tax is charged on the day of placing the amounts due at the disposal of the Omnibus Account holder.

Additionally, under Art. 30a.2a of the PIT Act, regarding income (revenue) from interest transferred to taxpayers holding rights attached to securities (including the Notes) registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19 per cent. flat-rate tax is withheld by the tax remitter (under Art. 41.10 of the PIT Act the entity operating the Omnibus Account) from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder.

Under Art. 45.3c of the PIT Act, taxpayers are obliged to disclose the amount of interest (discount) on securities (including the Notes) in their annual tax return if the Notes were registered in an Omnibus Account and the taxpayer's identity was not revealed to the tax remitter.

Other income

Income other than interest derived by a Polish tax resident individual from financial instruments held as non-business assets, qualify as capital income according to Art. 17 of the PIT Act. This income does not cumulate with the general income subject to the progressive tax scale but is subject to a 19 per cent. flat rate tax. The costs of acquiring the securities are recognised at the time the revenue is achieved. In principle, the taxpayer should settle this income by 30 April of the year following the year in which the income was earned. No tax or tax advances are withheld by the person making the payments.

Securities held as business assets

If an individual holds the Notes as business assets, in principle interest and capital gains income should be subject to tax in the same way as other business income. The tax, at 19 per cent. flat rate or the 18 per cent. to 32 per cent. progressive tax rate depending on the individual's choice and whether he/she meets certain conditions, should be settled by the individual himself/herself.

Taxation of a Polish tax resident corporate income taxpayer

Under Art. 3.1 of the Corporate Income Tax Act dated 15 February 1992 (the **CIT Act**), the entire income of taxpayers who have their registered office or management in Poland is subject to tax in Poland, irrespective of where the income is earned.

The appropriate tax rate is the same as the tax rate applicable to business activity, ie 19 per cent. for a regular corporate income taxpayer or 15 per cent. for small and new taxpayers.

A Polish tax resident corporate income taxpayer should be subject to income tax regarding the Notes (both on any capital gains and on interest/discount) following the same principles as those which apply to any other income received from business activity within the same source of income, called capital profits (*zyski kapitałowe*). As a rule, for Polish income tax purposes interest is recognised as revenue on a cash basis, ie when it is received and not when it has accrued. Regarding capital gains, the cost of acquiring the Notes should be recognised at the time the revenue is achieved.

Although no Polish withholding tax should apply on interest payable to Polish corporate income taxpayers, under specific rules applying to interest income on securities held in Omnibus Accounts, under Art. 26.2a of the CIT Act, for income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld for a Polish tax resident corporate income taxpayer, to receive a refund of such tax, the entity should contact its tax advisor.

Notes held by a non-Polish tax resident (individual or corporate income taxpayer)

Under Art. 3.2a of the PIT Act, individuals, if they do not reside in Poland, are liable to pay tax only on income (revenue) earned in Poland (limited obligation to pay tax).

Under Art. 3.2 of the CIT Act, in the case of taxpayers who do not have their registered office or management in Poland, only the income they earn in Poland is subject to tax obligation in Poland.

Non-Polish tax residents are subject to Polish income tax only regarding their income earned in Poland. Under Art. 3.3 of the CIT Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

- all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
- immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property;
- securities and derivatives other than securities, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these securities or derivatives, or the exercise of rights resulting from them;
- the transfer of ownership of shares in a company, of all rights and obligations in a partnership without a legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity or receivables which are a consequence of holding those shares, rights and obligations or participation, if at least 50 per cent. of the value of assets of this company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;
- the receivables settled, including receivables put at disposal, paid out or deducted, by individuals, entities, or organisational units without a legal personality, that have their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding or performing the agreement.

Similar provisions are included in Art. 3.2b of the PIT Act.

It should be noted that the list of incomes (revenues) gained in Poland, as provided in Art. 3.3. of the CIT Act and Art. 3.2b of the PIT Act, is not exhaustive, therefore other income (revenues) may also be considered as earned in Poland.

It could be argued that interest from securities admitted to public trading in a country other than Poland (the Notes listed in Ireland) should be considered as income (revenue) not earned in Poland, however it is likely that the tax authorities would consider the interest from the Notes as sourced in Poland, because the Issuer is a Polish company.

If the payment is considered as interest sourced in Poland and the payer of the interest is a tax remitter under Polish tax regulations, the withholding tax at 20 per cent under Art. 21.1.1 of the CIT Act or at 19 per cent under Art. 30a.1.2 of the PIT Act should apply. It should be noted, however, that although this is not clearly regulated in Polish tax law, according to the established practice, foreign entities do not act as Polish withholding tax remitters. Therefore, it should be expected that if a non-Polish entity operates the securities account for the individual it will not withhold the tax. It is not entirely clear whether in such case (i.e. if a payment is made through a foreign entity operating a securities account and not collecting the withholding tax) the Issuer should withhold the tax or – based on the reasoning presented in the Ruling - the tax should be settled by the noteholders on their own.

In addition, if a payment under the Notes is considered to be sourced in Poland, then the relevant double tax treaty (if any) should be verified to check whether Polish taxation applies at all or whether the withholding tax rate is reduced. For example, most tax treaties concluded by Poland provide a tax exemption regarding Polish income tax on capital gains derived from Poland by a foreign tax resident. As regards interest income, the treaties may include a withholding tax exemption or a reduction on interest (down to 15 per cent., 10 per cent., 5 per cent. or 0 per cent. depending on the relevant treaty and occasionally on the status of the recipient of the interest). To benefit from a tax treaty, a foreign investor should present a relevant certificate of its tax residency. Unless stated otherwise in the tax residency certificate, it is valid for 12 consecutive months from its date of issue. Additionally, many tax treaties provide protection only for beneficial owners. Pursuant to Art. 4a.29 of the CIT Act, "beneficial owner" means the entity receiving a given receivable for its own benefit, which is not an intermediary, representative, trustee, or another entity obliged to transfer the receivable in whole or in part to another entity.

If a foreign recipient of income acts through a permanent establishment in Poland to which interest is related, as a matter of principle it should be treated in the same manner as a Polish tax resident.

Separate, specific rules apply to interest income on securities held in Omnibus Accounts. Furthermore, in cases where Polish withholding tax should not apply on interest payable to non-Polish tax residents (individuals or corporate income taxpayers), under specific rules applicable to interest income on securities held in Omnibus Accounts there is a risk that such tax would be withheld. Under Art. 26.2a of the CIT Act, regarding income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. Under Art. 30a.2a of the PIT Act, regarding income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld for non-Polish tax resident taxpayers, to receive a refund of that tax, the entity should contact its tax advisor.

Tax on civil law transactions

Neither an issuance of Notes nor redemption of Notes is subject to the tax on civil law transactions (**PCC**).

Under Art. 1.1.1.a of the Tax on Civil Law Transactions Act dated 9 September 2000 (the **PCC Act**), agreements for the sale or exchange of assets or proprietary rights are subject to tax on civil law transactions. The Notes should be considered as representing proprietary rights. Transactions are taxable if their subjects are:

- assets located in Poland or proprietary rights exercisable in Poland;
- assets located abroad or proprietary rights exercisable abroad if the acquirer's place of residence or registered office is located in Poland and the civil law transaction was carried out in Poland.

Although this is not clearly addressed in law, in principle the Notes should be considered as rights exercisable in Poland.

PCC on the sale of the Notes (which, as a rule, are considered to be rights) is 1 per cent. of their market value and is payable by the purchaser within 14 days after the sale agreement is entered into. If the exchange agreement is concluded, the tax is payable jointly and severally by both parties to the agreement. However, if such agreement has been entered into in notarial form, the tax due should be withheld and paid by the notary public.

However, under Art. 9.9 of the PCC Act, a PCC exemption applies to the sale of property rights being financial instruments (including the Notes):

- to investment firms or foreign investment firms;
- with the intermediation of investment firms or foreign investment firms;
- through organised trading; or
- outside organised trading by investment firms or foreign investment firms if the proprietary rights were acquired by those firms through organised trading,

within the meaning of the provisions of the Act on Trading in Financial Instruments.

Remitter's liability

Under Art. 30 of the Tax Code dated 29 August 1997, a tax remitter failing to fulfil its duty to calculate, withhold or pay tax to a relevant tax authority is liable for the tax that has not been withheld or that has been withheld but not paid, up to the value of all its assets. The tax remitter is not liable if specific provisions provide otherwise or if tax has not been withheld due to the taxpayer's fault. In such case, the relevant tax authority will issue a decision concerning the taxpayer's liability.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Poland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "Terms and Conditions of the Notes — Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banco Santander, S.A. and any other dealer appointed from time to time (the **Dealers**). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 28 August 2018 (the **Dealer Agreement**) and made between the Issuer and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations promulgated thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public offer selling restriction under the Prospectus Directive

If the Final Terms in respect of any Notes specifies "Prohibition of sales to EEA Retail Investors" as "Not applicable", in relation to each Relevant Member State, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) ***Qualified investors***: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) ***Fewer than 150 offerees***: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) ***Other exempt offers***: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Prohibition of sales to EEA retail investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of sales to EEA retail investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); and

    (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Selling restrictions addressing additional United Kingdom securities laws

Each Dealer has represented, warranted and agreed that:

(a) ***No deposit-taking:*** in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Poland

Unless the Base Prospectus for the Notes has been approved by either the Polish competent authority for the approval of prospectuses for the public offering of securities in Poland or the admission of securities to trading on a regulated market in Poland or the relevant competent authority in an EU member state, and Poland has received a certificate of such approval with a copy of the Base Prospectus s required under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (the **Act on Public Offering**), the Notes may not be publicly offered in Poland or admitted to trading on a regulated market in Poland. Pursuant to Art. 3.1 of the Act on Public Offering, **public offering** means "communication in any form and by any means, made within the Republic of Poland and addressed to at least 150 persons or to an unspecified addressee, which contains sufficient information on the securities to be offered and the terms and conditions of their acquisition, so as to enable an investor to decide to purchase securities".

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, **Japanese Person** shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was authorised by the resolution of the Management Board of the Issuer passed on 30 May 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

Significant/material change

There has been no material adverse change in the prospects of the Issuer since 31 December 2017, nor any significant change in the financial or trading position of the Issuer and its subsidiaries since 30 June 2018.

Auditors

PricewaterhouseCoopers sp. z o.o., with its registered office in Warsaw at ul. Lecha Kaczyńskiego 14, 00-638 Warsaw, Poland, audited the consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016 and issued unqualified auditor's opinions on the aforementioned financial statements. PricewaterhouseCoopers sp. z o.o. audited the standalone financial statements of the Issuer for the years ended 31 December 2017 and 31 December 2016 and, issued unqualified opinions on the aforementioned financial statements. The standalone financial statements of the Bank audited by PricewaterhouseCoopers sp. z o.o. are not incorporated into this Base Prospectus by reference.

PricewaterhouseCoopers sp. z o.o. is registered in the register of auditors held by the Polish Chamber of Statutory Auditors (*Polska Izba Biegłych Rewidentów*) under no. 144. On behalf of PricewaterhouseCoopers sp. z o.o., the consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016 were audited by Anna Bączyk (certified auditor, licence No. 11810).

PricewaterhouseCoopers sp. z o.o. has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2018 (incorporated into this Base Prospectus by reference) as well the unaudited condensed standalone interim financial statements of the Bank for the six-month period ended 30 June 2018 (not incorporated into this Base Prospectus by reference) and issued unqualified auditor's reports from the review thereof. The reports from review of the above interim financial statements were signed on behalf of PricewaterhouseCoopers sp. z o.o. by Anna Bączyk (certified auditor, licence No. 11810).

Documents on display

Copies of the following documents (together with English translations where the original documents are not in English) may be inspected during normal business hours at the offices of Principal Paying Agent for 12 months from the date of this Base Prospectus:

(a) a copy of this Base Prospectus along with any supplement to this Base Prospectus;

(b) the Articles of Association (*Statut*) of the Issuer;

(c) the reviewed consolidated financial statements of the Group for the six months period ended 30 June 2018;

(d) the audited consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016;

(e) the auditors' reports in respect of the audited consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016;

(f) the Agency Agreement; and

(g) the Dealer Agreement.

Material contracts

There are no contracts having been entered into outside the ordinary course of any of the Issuer's or any of its subsidiaries' businesses, which are, or may be, material and contain provisions under which the Issuer or any of its subsidiaries has an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number (**ISIN**), Financial Instrument Short Name (**FISN**) and Classification of Financial Instruments (**CFI**) code (as applicable) in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Issue price and yield

Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

The Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is 259400LGXW3K0GDAG361.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Main Securities Market of Euronext Dublin.

REGISTERED OFFICE OF THE ISSUER

Bank Zachodni WBK S.A.
ul. Rynek 9/11
50-950 Wrocław
Poland

ARRANGER

Banco Santander, S.A.
Ciudad Grupo Santander
Avenida de Cantabria s/n
Edificio Encinar, planta baja,
28660, Boadilla del Monte,
Madrid,
Spain

ISSUE AND PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISERS

To the Issuer
as to English law:

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Issuer
as to Polish law:

Allen & Overy, A. Pędzich sp. k.
Rondo ONZ 1
00-124 Warsaw
Poland

To the Arranger and Dealers as to English law:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Arranger and Dealers as to Polish law:

Clifford Chance
Janicka, Krużewski, Namiotkiewicz i wspólnicy Sp.k.
Norway House
Ul. Lwowska 19
00-660 Warsaw
Poland

AUDITORS TO THE ISSUER

PricewaterhouseCoopers sp. z o.o.
ul. Lecha Kaczyńskiego 14
00-638 Warsaw
Poland

LISTING AGENT(S*)*

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin
Ireland