



**€3,000,000,000**

**Programme for the Issuance of Loan Participation Notes**

*to be issued by, but with limited recourse to,*

**PKO Finance AB (publ)**

*(incorporated with limited liability under the laws of the Kingdom of Sweden)*

for the sole purpose of financing senior and subordinated loans to

**Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**

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

Under the programme for the issuance of loan participation notes (the "**Programme**") described in this base prospectus (the "**Base Prospectus**"), PKO Finance AB (publ) (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue loan participation notes (the "**Notes**"). The aggregate principal amount of Notes outstanding will not at any time exceed €3,000,000,000 (or the equivalent in other currencies).

Notes will be issued in Series and the sole purpose of issuing each Series will be to finance either (i) a senior loan (each a "**Senior Loan**") to Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (the "**Borrower**", "**PKO BP**" or the "**Bank**") as borrower, on the terms of an amended and restated senior facility agreement dated 23 April 2010 (as amended, modified, supplemented and/or restated from time to time, the "**Senior Facility Agreement**") between the Issuer and the Borrower, as amended and supplemented by a senior loan supplement (each a "**Senior Loan Supplement**") to be entered into by the Issuer and the Borrower in respect of each Senior Loan on each applicable issue date (each an "**Issue Date**") and the Senior Facility Agreement, as supplemented by a Senior Loan Supplement, will constitute a senior loan agreement (each a "**Senior Loan Agreement**"); or (ii) a subordinated loan (each a "**Subordinated Loan**" and, together with each Senior Loan, a "**Loan**") to the Borrower as borrower, on the terms of a subordinated facility agreement (as amended, modified, supplemented and/or restated from time to time, the "**Subordinated Facility Agreement**" and, together with the Senior Facility Agreement, the "**Facility Agreements**" and each a "**Facility Agreement**") between the Issuer and the Borrower to be dated on or before the Issue Date of the relevant Series, as amended and supplemented by a subordinated loan supplement (each a "**Subordinated Loan Supplement**" and, together with each Senior Loan Supplement, a "**Loan Supplement**") to be entered into by the Issuer and the Borrower in respect of each Subordinated Loan on each applicable Issue Date and the Subordinated Facility Agreement, as supplemented by a Subordinated Loan Supplement, will constitute a subordinated loan agreement (each a "**Subordinated Loan Agreement**" and, together with each Senior Loan Agreement, a "**Loan Agreement**"). The Issuer will charge, in favour of Citicorp Trustee Company Limited as trustee (the "**Trustee**") for itself and for the benefit of the noteholders of each Series of Notes (the "**Noteholders**"), by way of a first fixed charge as security for its payment obligations in respect of each Series of Notes and under the Trust Deed (as defined herein), certain of its rights and interests under the relevant Loan Agreement and the relevant Account (as defined in the relevant Loan Supplement). In addition, the Issuer will assign certain of its administrative rights under the relevant Loan Agreement to the Trustee.

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and Article 8.4 of the Luxembourg Law on prospectuses for securities dated 10 July 2005 for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the official list and to trading on the regulated market (*Bourse de Luxembourg*) of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Directive on Markets and Financial Instruments 2004/39/EC (the "**Regulated Market**"). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

**Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Borrower to fulfil their respective obligations are discussed under "Risk Factors" below.**

**Arrangers**

HSBC

SOCIÉTÉ GÉNÉRALE CORPORATE &  
INVESTMENT BANKING

**Dealers**

HSBC

PKO BANK POLSKI SA

SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

The date of this Base Prospectus is 23 April 2010.

## IMPORTANT NOTICES

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, THE BORROWER 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 UNITED STATES SECURITIES ACT OF 1933 (AS AMENDED) (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 DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS.

Each Senior Loan will rank *pari passu* in right of payment with the Borrower's other outstanding unsecured and unsubordinated indebtedness. The claims of the Issuer under each Subordinated Loan, excluding the Reserved Rights (as defined herein), will constitute the direct, unconditional and unsecured subordinated obligations of the Borrower and will rank at least equally with all other unsecured and subordinated obligations of the Borrower (whether actual or contingent) having a fixed maturity from time to time outstanding save only for such obligations as may be preferred by mandatory provisions of applicable law and will be senior to the claims of holders of (a) the Borrower's share capital (including preference shares) and (b) all other obligations ranking junior to the claims of the Issuer pursuant to applicable law or otherwise (excluding the Reserved Rights). Other than as described in this Base Prospectus and the Trust Deed, Noteholders have no proprietary or other direct interest in the Issuer's rights under or in respect of the relevant Loan Agreement or the relevant Loan. Subject to the terms of the Trust Deed, no Noteholder will have any rights to enforce any of the provisions in the relevant Loan Agreement or have direct recourse to the Borrower except through action by the Trustee.

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 amended and/or supplemented by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "Final Terms and Drawdown Prospectuses" below. 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 together with any amendments or supplements hereto and with any information incorporated by reference herein (See "*Information incorporated by reference*") and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer and the Borrower may agree with any Dealer the form of any future Subordinated Facility Agreement in which event a series prospectus will be published for use in connection with any subsequent issue of any Series in relation to a Subordinated Loan to be listed on the Regulated Market of the Luxembourg Stock Exchange. Investors should take note that any reference to a Subordinated Facility Agreement, Subordinated Loan Agreement or Subordinated Loan in this Base Prospectus is to be entirely qualified by any such series prospectus to be prepared, and any such discussion herein is merely indicative of the expectation of the Issuer and the Borrower as to the form that the Subordinated Facility Agreement is likely to take, pending the review of the Subordinated Loan Agreement by the Polish Financial Supervision Authority (the "**KNF**" or "**PFS**A") and taking into account any applicable change of laws or regulations at that date.

Each of the Issuer and the Borrower (together, the "**Responsible Persons**") accepts responsibility for the information contained in this Base Prospectus 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.

Each of the Responsible Persons, having made all reasonable enquiries, confirms and represents that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the extension of the Loans) 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 and the extension of the Loans) not misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

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 the Borrower 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, the Borrower or any Dealer.

None of the Arrangers, the Dealers nor any of their respective affiliates nor the Trustee 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 amended or 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 or the Borrower since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or 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.

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 Borrower, the Arrangers, the Dealers, the Trustee 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 and the Borrower.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €3,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). 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 as defined under "*Subscription and Sale*".

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus, as completed by Final Terms or a Drawdown Prospectus in relation to the offer of those Notes, may only do so in

circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

**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, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. 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 be ended 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 Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## FORWARD-LOOKING STATEMENTS

This Base Prospectus contains various forward-looking statements that relate to, *inter alia*, events and trends that are subject to risks and uncertainties that could cause the actual business activities, results and financial position of the Issuer or the Borrower to differ materially from the information presented herein. When used in this Base Prospectus, the words “**estimate**”, “**project**”, “**intend**”, “**anticipate**”, “**believe**”, “**expect**”, “**should**” and similar expressions, as they relate to the Issuer and the Borrower and their management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Neither the Issuer nor the Borrower undertakes any obligations publicly to release the result of any revisions to these forward-looking statements to reflect the events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### **General Information**

The audited consolidated financial statements of the Group (as defined in the Senior Facility Agreement) for the years ended 31 December 2009 and 2008 (the “**Consolidated Financial Statements**”) are incorporated into this Base Prospectus by reference.

The Consolidated Financial Statements have been prepared in accordance with the IFRS approved by the EU which differ to some extent from the IFRS issued by the IASB. Presentation of the financial information in accordance with the IFRS requires the management to make various estimates and assumptions which may impact the values shown in the financial statements and notes thereto. The actual values may differ from such assumptions.

The Consolidated Financial Statements for the years ended 31 December 2009 and 2008 (the “**2009 Consolidated Financial Statements**” and the “**2008 Consolidated Financial Statements**”) were audited by PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw (see “*General Information – Auditors*”).

The Consolidated Financial Statements are presented in PLN, the functional currency of the Bank and the presentation currency of the Group. Furthermore, unless otherwise indicated, financial and statistical data included in this Base Prospectus is expressed in PLN thousand.

Unless otherwise indicated, all financial data pertaining to the Group presented herein is based on the Consolidated Financial Statements, or has been calculated based thereon.

In reference to the change of IAS 1 “Presentation of Financial Statements” which has been in force since January 2009, the Group applied a different terminology with respect to certain elements of the financial statements (for example referring to “statement of financial position” instead of “balance sheet” or introduction of “statement of comprehensive income”) or certain accounting terms. The presentation and descriptions of financial data in the Base Prospectus have been adjusted to the currently applied presentation and methodology.

Certain figures included in this Base Prospectus have been subject to rounding adjustments and presented in PLN million or PLN billion (not in PLN thousand as in the Consolidated Financial Statements). Accordingly, in certain instances the sum of numbers in a column or a row in tables contained in this Base Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in the tables in this Base Prospectus have also been rounded, and accordingly the totals in these tables may not exactly add up to 100%. Percentage changes during the compared periods were computed on the basis of the original (not rounded) amounts.

Unless otherwise indicated, all references in this Base Prospectus to “**PLN**”, “**Polish Zloty**” and “**zloty**” are to the lawful currency of Poland. References to “**EUR**”, “**Euro**”, “**euro**” or “**€**” are to the

lawful currency of the European Economic and Monetary Union. References to “USD” are to the lawful currency of the United States. References to “GBP” are to the lawful currency of the United Kingdom. References to “CHF” are to the lawful currency of Switzerland, and references to “UAH” are to the lawful currency of Ukraine.

### **Change of Presentation of Comparable Data**

In the 2009 Consolidated Financial Statements the Group changed the presentation of selected items in its consolidated income statement, in order: (i) to provide optimal presentation and disclosure of the financial information in accordance with IFRS; and (ii) to ensure comparability between the financial statements.

To ensure full comparability of the data included in the 2009 Consolidated Financial Statements in accordance with IAS 1, the Group reclassified the comparative data for the year ending 31 December 2008 with respect to the data which was previously presented in the 2008 Consolidated Financial Statements.

*Reclassification of comparative data for the year ended 31 December 2008 presented in the 2009 Consolidated Financial Statements*

As described in detail in Note 53 to the 2009 Consolidated Financial Statements, the effect of the reclassification of the Group’s Consolidated Financial Statements for the year ended 31 December 2008, as compared to amounts that were originally reported, is presented in the following table.

	<b>Year ended 31 December 2008</b>		
	<b>Originally reported</b>	<b>As adjusted for reclassification</b>	<b>Effect of reclassification</b>
	<i>(in PLN thousand)</i>		
	<i>(audited)</i>		
<b>Consolidated Income Statement</b>			
Net income from financial instruments designated at fair value through profit and loss .....	(201,129)	(162,697)	38,432 <sup>1)</sup>
Net foreign exchange gains .....	739,757	701,325	(38,432) <sup>1)</sup>

*Source: 2009 Consolidated Financial Statements*

1) *Change in the presentation of selected gains and losses from derivative financial instruments. The change results from the transfer of valuation at fair value of currency options (in 2009) from ‘Net income from financial instruments designated at fair value through profit and loss’ to ‘Net foreign exchange gains’. The adopted new method of presentation of the net result from valuation of currency options renders more precise the economic sense of currency options together with hedging spot and forward transactions (transactions hedging the currency position generated as a result of changes in the market parameters influencing an open position in currency options).*

Based on the above, the Group has determined to present the financial data for the year ended 31 December 2009 and for the year ended 31 December 2008 as derived from the 2009 Consolidated Financial Statements, with comparable data.

This Base Prospectus contains conversions of certain amounts in relation to the financial results of the Bank and the Group set out elsewhere in this Base Prospectus. These conversions were effected at the relevant foreign currency to euro exchange in effect as set out below, unless otherwise stated. The conversion of statement of financial position items from PLN and UAH to Euro was made by reference to the exchange rate at the end of a given year set by the National Bank of Poland (the “NBP”) or the National Bank of Ukraine (the “NBU”), as applicable. Figures provided in relation to income and expense were calculated by reference to the arithmetic mean of the average rates set by the NBP or the NBU, as applicable, on the final day of each month. The following table sets out, for the periods indicated, the exchange rates used in this Base Prospectus:

	<b>As at 31 December 2009</b>	<b>As at 31 December 2008</b>	<b>Average exchange rate 2009</b>	<b>Average exchange rate 2008</b>
PLN/EUR .....	4.1082	4.1724	4.3406	3.5321
	<b>As at 31 December 2009</b>	<b>As at 31 December 2008</b>	<b>Average exchange rate 2009</b>	<b>Average exchange rate 2008</b>
UAH/EUR.....	11.4489	10.8555	10.8963	7.9063

Sources: NBP, NBU

Solely for the convenience of the reader, and except otherwise stated, set out in the table below are some additional foreign currency to PLN exchange rates:

<b>Currency</b>	<b>FX rates as at 31 December 2009</b>	<b>FX rates as at 31 December 2008</b>
HUF .....	0.0152	0.0158
CZK .....	0.1554	0.1566
LTL .....	1.1898	1.2084
AUD.....	2.5642	2.0495
JPY .....	0.0309	0.0328
USD .....	2.8503	2.9618
CAD .....	2.7163	2.4307
GBP .....	4.5986	4.2913
DKK .....	0.5520	0.5599
NOK .....	0.4946	0.4238
CHF .....	2.7661	2.8014
SEK.....	0.4000	0.3821
UAH .....	0.3558	0.3730

Source: [www.nbp.pl](http://www.nbp.pl)

All financial data included in the “Description of the Group” in this Base Prospectus has been prepared on a consolidated basis, unless indicated otherwise.

## MARKET, ECONOMIC AND INDUSTRY DATA

Certain macroeconomic and statistical data included in this Base Prospectus has been derived from publicly available sources, the reliability of which may vary. Macroeconomic and statistical data concerning Poland is mostly based on information published by the Polish Central Statistical Office (*Główny Urząd Statystyczny*) and the NBP. In any case, macroeconomic and statistical data, as well as the source data on which it is based, may not have been extracted or derived from a source in a manner analogous to that used in other countries. There is no guarantee that a third party using different methods of gathering, analysing and processing information would obtain the same results.

Market data and certain industry data and forecasts used, as well as statements made herein regarding the Bank and the Group's position in the industry, were estimated or derived based upon assumptions the Bank deems reasonable and from the Group's own research, surveys or studies conducted at its request by third parties, or derived from publicly available sources (Eurostat, Bloomberg, Raiffeisen RESEARCH), industry or general publications such as reports issued by the PFSA or the NBP, and Polish newspapers. The source of any external information is provided each time such information is used in this Base Prospectus. When searching for, processing and preparing macroeconomic, market, industry and other data from sources other than the Group, such as governmental publications, third party publications, industry publications and general interest publications, the Bank has not verified such data. The Bank has accurately extracted information from this third-party data from published sources and, as far as the Bank is aware and to the extent the Bank can ascertain from the information published by these sources, there are no omissions that would render such information in this Base Prospectus materially misleading.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. However, in the preparation of this Base Prospectus, this third-party information has not been independently verified nor has there been any investigation of the validity of the methodology or the basis used by the third parties in producing such data or making estimates and forecasts. Neither the Bank nor any of the Arrangers can give any assurance that any such information is accurate or, in respect of projected data, that such projections have been based on correct information and assumptions or that they will prove to be accurate.

The Bank does not intend, nor is it obligated, to update the data presented herein, save for obligations arising under provisions of law.

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## GENERAL DESCRIPTION OF THE PROGRAMME

### *Structural Overview*

*The following overview should be read in conjunction with, and is qualified in its entirety by, the information set out in “Terms and Conditions of the Notes” and the Senior Facility Agreement appearing elsewhere in this Base Prospectus.*

Each transaction relating to a Series of Notes will be structured as either a senior loan or a subordinated loan to the Borrower by the Issuer under the relevant Loan Agreement, as applicable. The Issuer will issue a Series of Notes, which will be secured limited recourse loan participation notes issued for the sole purpose of funding the corresponding Loan to the Borrower. Each Loan will be made on the terms of the relevant Facility Agreement as amended and supplemented by the relevant Loan Supplement and will have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Each Series of Notes will be constituted by, subject to, and have the benefit of the amended and restated principal trust deed dated 23 April 2010 (as amended, modified, supplemented and/or restated from time to time, as supplemented and amended in respect of such Series of Notes by a Supplemental Trust Deed, together, the “**Trust Deed**”), each entered into between the Issuer and the Trustee. The obligations of the Issuer to make payments under the Notes shall constitute an obligation only to account to the Noteholders for an amount equal to the sums of principal, interest and/or additional amounts (if any) the Issuer actually receives and retains by or for its account from the Borrower pursuant to the relevant Loan Agreement or that are deposited in the Account (as defined below), less any amounts in respect of the Reserved Rights.

As provided in the Trust Deed, the Issuer will charge in favour of the Trustee for the benefit of itself and the Noteholders as security for its payment obligations in respect of a Series of Notes (i) its rights to all principal, interest and additional amounts (if any) payable by the Borrower under the corresponding Loan Agreement, (ii) its right to receive all sums which may be or become payable by the Borrower under any claim, award or judgment relating to the corresponding Loan Agreement and (iii) its rights, title and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent with respect to such Series of Notes in the name of the Issuer, together with the debt represented thereby (the “**Account**”) (collectively, the “**Charged Property**”), in each case other than the Reserved Rights and amounts relating thereto. The Issuer will assign absolutely certain administrative rights under the relevant Loan Agreement to the Trustee for the benefit of itself and the Noteholders of the applicable Series. The Borrower will be obliged to make payments under the relevant Loan to the Issuer in accordance with the terms of the relevant Loan Agreement to the Account or as otherwise instructed by the Trustee following a Relevant Event.

The Issuer has covenanted not to agree to any amendments to or any modification or waiver of, or authorise any breach or potential breach of, the terms of the relevant Loan Agreement unless the Trustee has given its prior written consent (in each case except in relation to the Reserved Rights). The Issuer (save as expressly provided in the Trust Deed, the relevant Loan Agreement or with the written consent of the Trustee) shall not pledge, charge or otherwise deal with the relevant Loan or the relevant Charged Property or any right or benefit either present or future arising under or in respect of the relevant Loan Agreement or the Account or any part thereof or any interest therein or purport to do so (in each case except in relation to the Reserved Rights). Any amendments, modifications, waivers or authorisations made with the Trustee’s prior written consent shall be notified by the Issuer to the Noteholders of the applicable Series in accordance with Condition 15 (*Notices*) and will be binding on the Noteholders of such Series.

The Issuer will have no other financial obligations under the relevant Series of Notes and no other assets of the Issuer (including the Issuer’s rights with respect to any Loan relating to any other Series of Notes) will be available to such Noteholders. Accordingly, all payments to be made by the Issuer under each Series of Notes will be made only from and to the extent of such sums received or recovered and retained by or on behalf of the Issuer or the Trustee from the assets securing such Series. Noteholders shall look solely to such sums for payments to be made by the Issuer under such

Notes, the obligation of the Issuer to make payments in respect of such Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets in respect thereof. In the event that the amount due and payable by the Issuer under such Notes exceeds the sums so received and retained or recovered, the right of any person to claim payment of any amount exceeding such sums shall be extinguished and Noteholders may take no further action to recover such amounts. No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, except to the extent that such person acts in bad faith or is negligent in the context of its obligation.

The security under the Trust Deed will become enforceable upon the occurrence of an Event of Default, an Early Repayment Event or a Relevant Event, as further described in "*Terms and Conditions of the Notes*".

Payments in respect of the Notes will be made without any deduction or withholding for, or on account of, taxes of the Kingdom of Sweden or the Republic of Poland except as required by law. See Condition 8 (*Taxation*) in "*Terms and Conditions of the Notes*". In that event, the Issuer will only be required to pay an additional amount to the extent it receives corresponding amounts from the Borrower under the relevant Loan Agreement. Each Loan Agreement provides for the Borrower to pay such corresponding amounts in these circumstances. In addition, payments under the relevant Loan Agreement will be made without any deduction or withholding for, or on account of, any taxes imposed by any Taxing Authority (as defined in the relevant Loan Agreement), except as required by law, in which event the Borrower will be obliged to increase the amounts payable under the relevant Loan Agreement.

Under the terms of each Loan Agreement, in certain circumstances, the Borrower may at its option prepay the corresponding Loan at its principal amount, together with accrued interest and additional amounts (if any), in the event that the Borrower is required to increase the amount payable or to pay additional amounts on account of taxes of a relevant Taxing Authority or required to pay additional amounts on account of certain costs incurred by the Issuer save that, in the case of a Subordinated Loan, such right to prepay will be subject to the prior written consent of the KNF and to the relevant prepayment clauses being specified in the relevant Subordinated Loan Supplement as being applicable, as to be further described in a series prospectus relating to the Subordinated Loan Agreement. The Issuer may require the Borrower to prepay such Loan if it becomes unlawful for such Loan or the Notes to remain outstanding, as set out in the relevant Facility Agreement save that, in the case of a Subordinated Loan, such prepayment is subject to the prior written consent of the KNF and to the relevant prepayment clause being specified in the relevant Subordinated Loan Supplement as being applicable, as to be further described in a series prospectus relating to the Subordinated Loan Agreement. In each case (to the extent that the Issuer has actually received the relevant funds from the Borrower), the Issuer will prepay the Notes together with accrued interest and additional amounts (if any) thereon. See Clause 5 (*Repayment and Prepayment*) of the Senior Facility Agreement and Condition 5 (*Redemption and Purchase*) in "*Terms and Conditions of the Notes*".

## ***Parties***

<b>Issuer:</b>	PKO Finance AB (publ), incorporated with limited liability under the laws of the Kingdom of Sweden.
<b>Borrower:</b>	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, incorporated as a joint stock company in the Republic of Poland.
<b>Risk Factors:</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Borrower to fulfil their respective obligations under the Notes and the Loan Agreements are discussed under " <i>Risk Factors</i> " below and include risks relating to the Issuer, risks relating to the Borrower, risks relating to the Republic of Poland and risks relating to the Loan Agreements and the Notes.
<b>Arrangers:</b>	HSBC Bank plc Société Générale
<b>Dealers:</b>	HSBC Bank plc, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna and Société Générale 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.
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Principal Paying Agent, Registrar, Transfer Agent, Calculation Agent and Account Bank:</b>	Citibank, N.A., London Branch
<b>Paying Agents:</b>	Citibank, N.A., London Branch Dexia Banque Internationale à Luxembourg
<b>Luxembourg Listing Agent:</b>	Dexia Banque Internationale à Luxembourg

## ***Features of the Notes, Loans and the Programme***

<b>Final Terms or Drawdown Prospectus:</b>	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 Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be, the relevant Drawdown Prospectus.
<b>Listing and Trading:</b>	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further

competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

**Clearing Systems:**

Euroclear and/or Clearstream, Luxembourg 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 €3,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.

**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 Note Certificate, in each case as specified in the relevant Final Terms. Each Global Note Certificate 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 registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

<b>Currencies:</b>	Notes may be denominated in euros, U.S. dollars or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
<b>Redenomination:</b>	The applicable Final Terms may provide that a Series of Notes may be redenominated in euro.
<b>Status of the Notes and Limited Recourse:</b>	<p>The Notes of each Series constitute secured and limited recourse obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves, as more fully described in “<i>Terms and Conditions of the Notes</i>”.</p> <p>The Notes of each Series will constitute the obligation of the Issuer to apply the proceeds from that issue of the Notes solely for the purpose of financing the relevant Loan to the Borrower pursuant to the terms of the corresponding Loan Agreement. The Issuer will only account to the Noteholders for all amounts equivalent to those (if any) received and retained from the Borrower under such Loan Agreement or held on deposit in the Account less amounts in respect of the Reserved Rights (as defined in the Conditions), all as more fully described in “<i>Terms and Conditions of the Notes</i>”.</p>
<b>Status of each Senior Loan:</b>	The obligations of the Borrower under the Senior Loan Agreement will rank at least <i>pari passu</i> with all its other unsecured and unsubordinated indebtedness except as otherwise provided by mandatory provisions of applicable law, as more fully described in “ <i>Senior Facility Agreement</i> ”.
<b>Status of each Subordinated Loan:</b>	The obligations of the Borrower under each Subordinated Loan Agreement, excluding the Reserved Rights, are intended to be subordinated upon an Early Repayment Event (as will be defined in the Subordinated Facility Agreement) in accordance with the Polish Act dated 29 August 1997 – Banking Law (as amended) (the “ <b>Banking Law</b> ”) and will rank at least <i>pari passu</i> with all its other unsecured and subordinated indebtedness, all as more will be fully described in a series prospectus supplement relating to the Subordinated Facility Agreement.
<b>Security:</b>	Each Series of Notes will be secured by a first fixed charge in favour of the Trustee for the benefit of itself and the Noteholders of (i) certain of the Issuer’s rights and interests as lender under the relevant Loan Agreement, and (ii) the Issuer’s rights, title and interest in and to all sums held on deposit in the Account (as defined in the relevant Loan Agreement) (in each case, other than the Reserved Rights), all as more fully described in “ <i>Terms and Conditions of the Notes</i> ”. In addition, the Issuer with full title guarantee will assign absolutely its administrative rights under the relevant Loan Agreement (save for the rights charged or excluded as described above) to the Trustee for the benefit of itself and the Noteholders, as more fully described in the Senior Facility Agreement or in a series prospectus supplement relating to the Subordinated Facility Agreement, as the case may be.

<b>Issue Price:</b>	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Borrower and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Maturities:</b>	<p>Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Borrower and the relevant Dealer(s).</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“<b>FSMA</b>”) by the Issuer.</p>
<b>Interest:</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Notes may also have a step-up rate of interest. All such information will be set out in the relevant Final Terms.
<b>Denominations:</b>	No Notes may be issued under the Programme which (a) have a minimum denomination of less than EUR 50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. 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.
<b>Redemption:</b>	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms. The relevant Final Terms will specify whether there will be any Put or Call options.
<b>Early Redemption:</b>	Each Series of Notes relating to a Senior Loan will be redeemed in whole, but not in part, at any time, upon notice having been given to the Noteholders, at their principal amount together with accrued and unpaid interest to the date of redemption and

any additional amounts (if any) then due (i) if the Borrower elects to prepay the corresponding Senior Loan for tax reasons or by reason of increased costs or (ii) at the option of the Issuer, in the event that it becomes unlawful for the Issuer to fund such Senior Loan or to allow it to remain outstanding under such Senior Loan Agreement, all as more fully described in the Senior Loan Agreement.

The redemption of each Series of Notes relating to a Subordinated Loan will be more fully described in a series prospectus relating to the Subordinated Loan Agreement.

See Condition 5 (*Redemption and Purchase*) in "*Terms and Conditions of the Notes*".

**Relevant Event:**

In the case of a Relevant Event (as defined in the Trust Deed) that is continuing the Trustee may, subject to the provisions of the Trust Deed, enforce the security created in the Trust Deed in favour of the Noteholders.

**Event of Default:**

Under the terms of each Senior Loan Agreement, in the case of an Event of Default (as defined in the Senior Facility Agreement) that is continuing, the Trustee may, subject to the provisions of the Trust Deed, declare all amounts payable by the Borrower under such Senior Loan Agreement to be due and payable. Upon repayment of such Senior Loan following an Event of Default, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for redemption and any additional amounts then due (if any), and thereupon shall cease to be outstanding.

**Early Repayment Event:**

The Subordinated Loan Agreement will provide that if an Early Repayment Event (which will be defined in the Subordinated Facility Agreement) has occurred and is continuing, all amounts under the Subordinated Loan shall be capable of being declared immediately due and payable, as to be further described in a series prospectus relating to the Subordinated Loan Agreement. Upon repayment of such Subordinated Loan following an Early Repayment Event, the Notes will be redeemed or repaid as more fully described in a series prospectus relating to the Subordinated Loan Agreement.

**Certain Covenants:**

As long as any of the Notes remains outstanding, the Issuer will not, without the prior written consent of the Trustee, agree to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of a Loan Agreement, except as otherwise expressly provided in the Trust Deed or such Loan Agreement.

Clause 9 (*Covenants*) of the Senior Facility Agreement contains a negative pledge in relation to the creation of Security Interests (as defined in the Senior Facility Agreement) (other than Permitted Security Interests (as defined in the Senior Facility Agreement)) by the Borrower.

Any covenants to be provided in the Subordinated Facility Agreement shall be set out in an equivalent clause of the Subordinated Facility Agreement.

**Taxation:**

All payments in respect of Notes will be made free and clear of and without deduction or withholding for taxes of the Kingdom of Sweden or the Republic of Poland, as the case may be, unless the withholding or deduction is required by law. In that event, the Issuer will as provided in Condition 8 (*Taxation*) only be required to pay an additional amount to the extent that it receives a corresponding amount from the Borrower under the relevant Loan Agreement. Each Loan Agreement provides for the Borrower to pay additional amounts in these circumstances.

**Governing Law:**

The Notes, the Senior Loan Agreements, the Subordinated Loan Agreements and the Trust Deed and any non-contractual obligations arising out of in connection with the Notes, the Senior Loan Agreements, the Subordinated Loan Agreements and the Trust Deed will be governed by English law, except those provisions of the Subordinated Loan Agreements relating to the subordination of claims, which will be governed by Polish law.

**Ratings:**

Each Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as a rating that may be assigned to the Programme.

Credit ratings assigned to the Notes or the Programme do not necessarily mean that the Notes 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 marketability of the Notes or any market price. Any change in the credit ratings of the Notes, the Programme or the Borrower could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

**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*".

## RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Base Prospectus (including any documents deemed to be incorporated by reference herein) prior to making any investment decision with respect to the Notes. Certain of the risks highlighted below could have a material adverse effect on the Bank's business, operations and financial condition which, in turn, could have a material adverse effect on its ability to fulfil its obligations under the Facility Agreements and, as a result, the ability of the Issuer to make payments under the Notes. In addition, the value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment.*

*Prospective investors should note that the risks described below are not the only risks the Bank faces. The Bank has described only those risks relating to its operations that it considers material. In addition, the Bank has described certain general risks applicable to an investment in the Republic of Poland and to the Polish banking industry which are associated with an investment in the Notes. There may be additional risks that the Bank currently considers not to be material or of which the Bank is not currently aware, and any of these risks could have the effects set forth above.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings as given to them in this section.*

### **Risks Relating to Macroeconomic Conditions**

#### ***The Global Financial Crisis and Subsequent Economic Deceleration Could Have an Adverse 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. The crisis was accompanied by, among other things, a slow-down in economic growth, an erosion of trust in financial institutions, restricted access to the interbank market and other forms of financing, increasing unemployment rates and declines in stock market valuations. Such circumstances have caused disruptions in financial markets worldwide, impacting liquidity and funding in the international banking system. This situation has had a significant adverse effect on the valuation of assets and capital adequacy requirements for many financial institutions worldwide.

As a result of the crisis, access to capital and credit markets and to other available forms of financing and liquidity has been significantly impaired, and the cost of financing has increased considerably. This impaired access to capital and credit markets and increased credit spreads may raise the Bank's financing costs and reduce its financial flexibility.

These developments have created an unfavourable environment for the banking sector and may adversely affect the business, financial condition and results of operations of the Group.

#### ***Poland's Economic, Political and Social Conditions, as well as Government Policies, Could Affect the Group's Business, Financial Condition and Results of Operations***

The Group conducts operations mostly in Poland where the overwhelming majority of its clients are located. For this reason the macroeconomic factors applicable to Poland have a material impact on the business, financial condition and result of operations of the Group.

The economic situation in Poland has, in various ways, been adversely affected by weakening economic conditions and the turmoil in the global financial markets. In particular, Poland has experienced declining economic growth, increasing rates of unemployment, depreciation of the PLN against foreign currencies and decreasing asset values. Adverse economic developments of the kind described above have affected and may continue to affect the income, wealth, liquidity, business or

financial condition of the Group's customers which, in turn, could affect the Group's loan portfolio quality and demand for the Group's financial products and services.

The Polish government has taken several steps to stabilise the financial system and economic situation, enacting regulations that would, among other things, alleviate the negative consequences of the economic downturn on the labour market and stimulate credit granting operations due to government guarantees of loans. The NBP has also provided certain stabilisation instruments for the financial sector. However, no assurance can be given that the objectives of the Polish government and the NBP will be achieved.

Further deterioration of the economic, business, political and social conditions in Poland, the failure of the policy of the Polish government, or the actions of the NBP aimed at stabilising the economic situation and the financial system, may adversely affect the business, financial condition and results of operations of the Group.

***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 perceived notion 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, these investors may reduce their investments in Polish financial assets due to the worsening 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 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 an adverse effect on the Group's business, financial condition and results of operations.

***The Financial Problems Faced by the Group's Customers Could Adversely Affect the Group's Business, Financial Condition and Results of Operations***

Market turmoil and economic deterioration could adversely affect the 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 continued 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, also could decline significantly. In addition, customers already have and may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Group's fee and commission income. Any of these conditions could have an adverse effect on the Group's business, financial condition and results of operations.

**Risks Relating to the Group's Business**

***The Bank's Fee and Commission Income May Be Negatively Affected by a Decline of Business Activity in Poland***

The Bank generates fee and commission income primarily from the placement of new loan products, current account products, card products, electronic on-line banking products with retail customers and the placement of cash management and trade finance products with corporate banking customers. A slow-down in business activity in Poland as a result of the current economic

environment could decrease the demand for these products, which could have an adverse impact on its fee and commission income and, therefore, its business, financial condition and results of operations.

### ***The Bank Faces Competition in Poland's Banking Industry***

Since Poland's accession to the EU, the Polish banking sector has been marked by low barriers to entry and increasing competition due to a general lift of regulatory restrictions of the operations of European financial institutions in Poland which resulted in a number of acquisitions and market entries by non-Polish financial institutions. The Bank primarily faces competition in its universal banking activities, where its competitors include large Polish and international banks operating in the Polish retail and corporate banking markets. The Bank believes the principal competitive factors in the sale of its products and services are price, brand, reputation, diversity of product offerings and quality.

The increased competition may have a significant negative impact on the Bank's ability to sustain its margin levels, particularly if the Bank's competitors possess greater financial resources, access to lower-cost funding and a broader offering of products than the Bank. Increasing competition in the banking industry could lead to increased pricing pressures on the Bank's products and services which would have an adverse effect on the business, financial condition and results of operations of the Group.

### ***The Bank May Fail in Implementing Its Development and Business Expansion Strategy***

The strategy of the Bank, as more fully described under "*Description of the Group – Long-Term Strategy*", focuses broadly on expanding the Bank's portfolio of products and services, increasing business with existing customers, attracting new customers and minimising risks and costs. The Bank may fail to achieve its major development objectives in the upcoming years due to difficult market conditions and potential legal and regulatory impediments which, coupled with strong competition from other universal banks, could lead the Bank to lose its leading position in the market of universal banking services and products in Poland, specifically in retail banking. This could affect the business, financial condition and results of operations of the Group.

### ***The Expansion of the Bank's Product Portfolio and Customer Base Involve Increased Risk***

Historically, the Bank has concentrated its business activities in retail banking, including mortgage financing. As part of its development strategy, the Bank has undertaken steps to diversify its business by providing a wider range of products to its retail customers as well as attracting large corporate and local government clients.

These newer products, which include consumer finance and several corporate banking products, offer a higher margin to the Bank but also carry a higher level of risk. Therefore, the Bank cannot provide assurance that its historical performance with respect to these products will be indicative of their future performance.

The Bank is also seeking to attract new customers. The Bank's transactions with new customers present an increased business risk resulting from the lack of historical information about the customers' creditworthiness, reputation and risk profile.

Any of the above factors may adversely impact the business, financial condition and results of operations of the Group.

### ***The Bank May Not Be Able to Maintain the Quality of Its Loan and Investment Portfolios***

The quality of the assets in the Bank's loan portfolio depends on the creditworthiness of the Bank's customers, their ability to repay their loans on time, the Bank'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. In addition, the quality of the Bank's loan portfolio may deteriorate due to various other reasons, including factors beyond the Bank's control, such as any negative developments in Poland's economy resulting in the financial distress or bankruptcy of the Bank's customers.

The non-performing loan ratio (being the share of loans valued using the individual and portfolio method, as a percentage of the Bank's portfolio), has increased from 4.0% as at 31 December 2008 to 7.0% as at 31 December 2009, primarily as a result of the global financial crisis and the change of the methodology used for estimating impairment allowances. In addition, the Bank has increased its impairment allowances for loans and advances to customers from PLN 2,601 million as at 31 December 2008 to PLN 3,415 million as at 31 December 2009.

The quality of the Bank's investment portfolio is substantially dependent upon the ability of the issuers of the securities in the portfolio to make payments on the securities when scheduled. The ability of the issuers to make such payments has been affected by the current financial crisis, liquidity concerns, increased credit risk and other macroeconomic factors.

The quality of the Bank's loan and investments portfolios is also subject to counterparty credit and settlement risk, which is the risk arising from the potential inability of the Bank's counterparties, including other banks and institutional and retail clients, to fulfil their obligations under financial market transactions (such as securities transactions, foreign exchange transactions and derivatives) due to a combination of factors including, but not limited to, bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure and the economic and political climate.

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

***Increases in the Bank's Impairment Allowances for Loans and Advances to Customers May Have an Adverse Effect on the Group's Business, Financial Condition and Results of Operations***

The Bank's impairment allowances for loans and advances to customers are determined by the Management Board based upon an assessment of future cash flows for individually significant loans, prior loss experiences and results of grading and scoring, the volume and type of lending being conducted, collateral type, the volume of past due loans, economic conditions and other factors related to the collectability of the Bank's loan portfolio. As at 31 December 2009 and 31 December 2008, the Bank's coverage ratio of loans valued using the individual and portfolio method, which is the ratio of the Bank's impairment allowances for loans and advances to customers to loans valued using the individual and portfolio method, was 41.5% and 64.8%, respectively. The change was mostly a result of the reclassification of certain loss events indicating objective evidence of impairment.

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

***The Bank Is Exposed to Risk Resulting from the Granting, Financing and Securing of Foreign Exchange Denominated Loans***

The Bank has significant exposure to foreign currency-denominated loans (predominantly mortgage loans denominated in CHF). The majority of retail customers who have mortgage loans denominated

in CHF obtain their income in PLN. Those customers are usually not protected against the fluctuations of the exchange rates of the PLN against foreign currencies. Consequently, any depreciation of the PLN against foreign currencies, in particular against CHF, results in an increase of the monthly instalment denominated in PLN. That may result in difficulties in the repayment of the assumed loans which in turn may lead to an increase in impairment allowances of mortgage loans and a decrease in value of the Group's loan portfolio which may adversely affect the business, financial condition and results of operations of the Group.

Mortgage loans denominated in foreign currencies are partly funded by foreign exchange deposits in the corresponding currency. In addition, the Bank partly reduces its exposure to the remaining 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 currency and, furthermore, the customers have the option to change the currency of their loans to PLN. As a result, the Bank is required to roll over such contracts when they mature, and it 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 Bank's foreign-currency denominated loan portfolio which, in turn, could adversely affect the business, financial condition and results of operations of the Group.

#### ***The Bank May Face Losses due to Foreign Exchange Derivatives Sold to Its Customers***

As at 31 December 2009 and as at 31 December 2008 the Bank had PLN 714.4 million and PLN 856.9 million, respectively, in 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 depreciation of the PLN against foreign currencies at the end of 2008 and the beginning of 2009 many customers that purchased foreign exchange derivatives have been unable to provide the required collateral.

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

#### ***The Group's Operations in Ukraine Pose Significant Risks and Could Generate Further Losses***

As at the date of this Base Prospectus, the Group owns 99.49% of the share capital in KREDOBANK, a bank operating in Ukraine. As at 31 December 2009 the value of KREDOBANK in the books of the Bank at cost less impairment was PLN 363.0 million. In light of the current economic situation in Ukraine, as at 31 December 2009 the impairment allowance in the Bank's books with respect to the value of KREDOBANK was PLN 423.7 million. The total value of loans, including subordinated loans extended to KREDOBANK (included in the statement of financial position and off-balance sheet) was PLN 586 million. On 18 December 2009, an Extraordinary Meeting of the Shareholders of KREDOBANK adopted a resolution to increase the share capital of KREDOBANK by UAH 368 million (PLN 130.9 million at the mid exchange rate of the NBP, as at 31 December 2009) by way of a share issue. The Bank intends to acquire all of the shares of the new issue to which it is entitled.

The economic conditions in Ukraine, and particularly the growing recession and material changes in the business environment, impact the operations of KREDOBANK. Consequently, the Group is subject to operating risks in Ukraine, including the following:

- The high degree of discretion and thus sometimes unpredictable nature of the governmental, regulatory and tax authorities' exercise of power, including instances of the authorities acting in breach of law.

- The legal system in Ukraine creates uncertainties with respect to many of the legal and business decisions that KREDOBANK makes, many of which do not exist in countries with more developed legal systems. The uncertainties faced by KREDOBANK include, among others, changes in laws that could potentially have a negative impact, gaps and inconsistencies between the laws and regulatory structure, and difficulties in enforcement due to an under-developed judicial system.
- The unsettled nature of much of the legislation in Ukraine, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of its legal system, place the enforceability of laws and regulations in doubt and result in ambiguities, inconsistencies and anomalies.
- The independence of the judicial system and its immunity from political, economic and nationalistic influences in Ukraine remains largely untested, and court orders are not always enforced or followed by law enforcement agencies.

In February 2009, the NBU and KREDOBANK entered into an agreement creating a performance improvement plan for KREDOBANK which involved compliance with regulatory requirements, and which required KREDOBANK to take actions to guarantee the stable financial condition, and included the enforcement of a plan to increase the effectiveness and profitability of KREDOBANK.

In April 2009, the NBU adopted a resolution in which it determined that KREDOBANK should be recapitalised through a regulatory capital increase, initially set at UAH 1,378.5 million (PLN 490.5 million at the mid exchange rate of the NBP as at 31 December 2009). The NBU made a preliminary determination that the first stage of capitalisation of UAH 1,024 million was to occur by 1 May 2009, and the second stage of UAH 364.5 million was to occur by 30 November 2009. In June 2009, the Bank subscribed for 102,384,202,391 shares in the increased share capital of KREDOBANK. The price for the acquired shares amounted to PLN 430.6 million, including additional costs. On 24 June 2009, KREDOBANK repaid all the subordinated loans extended by the Bank of USD 38.0 million (PLN 122.6 million at the mid exchange rate of the NBP dated 24 June 2009). In June 2009, the NBU accepted KREDOBANK's regulatory capital increase of UAH 731.5 million (PLN 260.3 million at the mid exchange rate of the NBP as at 31 December 2009) and requested a further increase of regulatory capital by UAH 647.0 million (PLN 230.2 million at the mid exchange rate of the NBP as at 31 December 2009).

Finally, in November 2009 the NBU and KREDOBANK signed an amended agreement, which required KREDOBANK to take actions to guarantee its stable financial condition. It also included the obligation to increase the effectiveness and profitability of KREDOBANK. Under such agreement, KREDOBANK was required to increase its regulatory capital by the amount of:

- USD 35 million (PLN 99.8 million at the mid exchange rate of the NBP as at 31 December 2009) through subordinated loans;
- UAH 368 million (PLN 130.9 million at the mid exchange rate of the NBP as at 31 December 2009) through the increase in the share capital of KREDOBANK.

In addition, the agreement imposes certain obligations regarding KREDOBANK's operations, including the reduction of its long positions in foreign currencies, the designation of its entire profits to increase its capital, as well as the revision of its internal rules governing the granting of new loans and debt collection.

In the fourth quarter of 2009 and in the first quarter of 2010, the regulatory capital of KREDOBANK was increased by USD 35 million (PLN 99.8 million at the mid exchange rate of the NBP as at 31 December 2009) of subordinated loans extended by the Bank and by UAH 368.0 million (PLN 130.9 million at the mid exchange rate of the NBP as at 31 December 2009) of advanced payment for subscription of the share issue. Registration of the share issue is expected to take place in mid June 2010.

KREDOBANK's capital adequacy ratio was 16.96% as at 31 December 2009 and was higher than the NBU's regulatory minimum of 10%.

If, despite the implementation of the performance improvement plan, KREDOBANK is unable to improve its financial condition, the NBU may take additional enforcement measures against KREDOBANK, including requiring a further recapitalisation of KREDOBANK, discontinuance or suspension of high risk transactions and appointment of temporary administration (the equivalent of mandatory management (*zarząd komisaryczny*)) at KREDOBANK. All these factors could adversely impact the business, financial condition and results of operations of KREDOBANK and, in turn, the Group.

Moreover, if the recession in Ukraine becomes more severe or there are any major changes in the conditions relating to the conduct of business in Ukraine, the Group may be required to recognise additional impairment on KREDOBANK's credit portfolio. This impairment, as well as financial performance of KREDOBANK that is worse than currently expected, and an increase of non-performing loans, would adversely affect the business, financial condition and results of the Group.

Currently, the Bank is endeavouring to ensure the secure continuation of KREDOBANK's operations in the environment of the global financial crisis and the severe crisis in the Ukrainian market. The Bank continues to monitor the operations of KREDOBANK on a daily basis, including control over any actual and proposed use of proceeds from the share capital increase or the standards required by the NBU. The supervisory board of KREDOBANK intensified its supervisory activities. The composition of KREDOBANK's supervisory board was extended to include representatives of risk, business and restructuring from the Bank. Additionally, loan level which is obligatory a subject to the supervisory board's approval was decreased.

#### ***The Value of the Bank's Securities Portfolio May Be Negatively Affected by the Prices of Polish Treasury Securities***

As at 31 December 2009, 54.8% of the Bank's securities portfolio was composed of securities issued by the Polish government. An increase in the supply of securities issued by the Polish government in the trading market, due to either increased issuance of such securities by the Polish government in order to finance the budget deficit or due to an increase in the volume of sales of such securities by investors, may negatively affect the price of such securities. Should the Bank attempt to sell all or a portion of the Polish Treasury securities it holds in its investment portfolio to finance its operations, the factors mentioned above would adversely affect the price it could receive, which would have an adverse effect on the business, financial condition and results of operations of the Group.

#### ***The Bank 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. The Bank becomes exposed to liquidity risk when the maturities of its assets and liabilities do not coincide. For example, the Bank may be exposed to increased liquidity risk as a result of its significant holdings of real estate mortgage loans, which are long-term assets that are financed by short-term and on-demand deposits. Maturity mismatches between the Bank's assets and liabilities may have an adverse effect on the Bank's business, financial condition and results of operations if the Bank is unable to obtain new deposits or find alternative sources of funding to fund existing and future loan portfolios.

In terms of current and short-term liquidity, the Bank is exposed to the risk of unexpected, rapid withdrawal of deposits by its clients in large volumes. Retail and budget deposits are the Bank's primary source of funding. As at 31 December 2009, 98.4% of its amounts due to customers had maturities of one year or less and 41.6% were payable on demand. If a substantial portion of the Bank's clients withdraw their demand deposits or do not roll over their term deposits upon maturity, the Bank's liquidity position, financial condition and results of operations 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, the Bank might not be able to meet its obligations as they come due and therefore might be forced to resort to interbank funding, which, in the event of an unstable market situation, may become excessively expensive and uncertain. In addition, the Bank's ability to use such external funding sources is directly connected with the level of credit lines available to the Bank, and this in turn is dependent on the Bank's financial and credit condition, as well as general market liquidity.

Realisation of liquidity risks and the 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.

***Any Reduction in the Bank's Credit Rating Could Increase Its Cost of Funding and Adversely Affect Its Interest Margins***

Credit ratings affect the cost and other terms upon which the Bank is able to obtain funding. A reduction in the Bank's credit and financial strength ratings could increase the costs associated with its interbank market transactions and could adversely affect the Bank's liquidity and competitive position, undermine confidence in the Bank, increase its borrowing costs and adversely affect its interest margins.

On 18 June 2009, Moody's Investor Services downgraded the Bank's long-term local currency deposit rating from "Aa2" to "A2" with a stable outlook and its financial strength rating from "C" to "C-" with a negative outlook. Fitch assigned to the Bank a support rating of "2" on 18 December 1996, which denotes a bank for which there is a high probability of support from the State Treasury. This probability of support indicates a minimum long-term rating floor of "BBB-". On 25 August 2004, Standard & Poor's assigned to the Bank a long-term local currency liabilities rating of "BBBpi" and, in December 2007, Capital Intelligence assigned to the Bank a long-term foreign currency liabilities rating of "A-" and a financial strength rating of "BBB+" and in January 2010 increased the support rating from "2" to "1". Unlike Moody's, the long-term and financial strength ratings assigned by Fitch, Standard & Poor's and Capital Intelligence are unsolicited. The Bank does not provide detailed information or schedule in-depth meetings with Standard & Poor's, Fitch or Capital Intelligence and, therefore, these ratings are only based on a analysis of the Bank's published financial information, as well as additional information in the public domain. As a result, the Bank cannot provide assurance that the long-term or financial strength ratings assigned by Fitch, Standard & Poor's or Capital Intelligence will reflect the most current information regarding the Bank's credit quality.

A reduction in the Bank's long-term and financial strength ratings could increase the costs associated with its financing transactions on the interbank market and could adversely affect the Group's business, financial condition and results of operations.

***The Bank May Not Be Able to Sustain Its Current Levels of Margins on Loans and Deposits***

Various factors could make the Bank unable to maintain its current levels of margins on loans and deposits, including increasing market competition for deposits, changing demand for fixed rate and floating rate loans, changes in the monetary policy of the NBP, and increased inflation and changes in both WIBOR and international interest rates.

The Bank could suffer decreasing margins if (i) market interest rates on floating rate loans decrease and the Bank is unable to offset such decrease by decreasing the rates payable on deposits or (ii) interest rates payable on deposits increase resulting from increased competition among banks or other factors beyond the Bank's control. Any such changes in interest rates may result in lower net interest income, and therefore adversely affect the business, financial condition and results of operations of the Group.

### ***The Historical Results of the Bank's Loan Portfolio May Not Be Indicative of Expected Future Results***

The Bank's loan portfolio has increased significantly in recent years, following a key strategic decision to increase the loan portfolio of the Bank several years ago. As a result, a significant portion of the loans in the portfolio still have not reached the anticipated years during which default is most likely and the Bank's default rate may increase as these loans season. If the default rate 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 Bank and Other Entities in the Group May Be Unable to Satisfy Their Minimum Capital Adequacy and Other Regulatory Ratios***

The Bank is obliged to maintain a minimum capital adequacy ratio of 8%. Certain developments could affect the Bank's ability to continue to satisfy the current capital adequacy requirements, including:

- an increase of the Bank's risk-weighted assets as a result of the rapid expansion of its business;
- ability to raise capital;
- the payment of dividends by the Bank to its shareholders;
- losses resulting from a deterioration in the Bank'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 Bank's securities portfolio;
- failure to implement advanced credit and operational risk assessment methods;
- changes in accounting rules or in the guidelines regarding the calculation of the capital adequacy ratios of banks; and
- changes in PLN exchange rates of the foreign currencies in which the Bank's assets are denominated.

The Bank may also be required to raise additional capital in the future in order to maintain its capital adequacy ratios above the minimum-required levels. The Bank's ability to raise additional capital may be limited by numerous factors, including:

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

Moreover, there can be no assurance that the Bank will be able to comply with potentially more stringent prudential regulations concerning capital adequacy under Basel III (i.e. further possible changes to the Capital Requirements Directive) that are expected to come into effect by the end of 2012.

The Bank cannot assure prospective investors that it will not need to raise additional capital in the future, nor can it assure prospective investors that it will be able to obtain such capital on favourable terms, in a timely manner or at all. Failure to maintain the minimum capital adequacy and other regulatory ratios or to otherwise maintain sufficient levels of capital to conduct the Bank's business may have an adverse effect on the business, financial condition and results of operations of the Group. Moreover, a breach of laws relating to the minimum capital adequacy and other regulatory

ratios may result in entities in the Group being subject to administrative sanctions which may result in an increase in the operating costs of the Group, loss of reputation, and, consequently, an adverse effect on the business, financial condition and results of operations of the Group.

***The Group May Not Comply with Certain Regulatory Requirements Applicable to Banking and Other Regulated Business, as well as with the Guidelines Set Forth by the Polish and the Ukrainian Banking Regulatory Authorities***

Aside from its banking operations, the Group also renders other regulated financial services and offers financing products, including brokerage and trust activities or pension and investment funds operations, that are subject to supervision by the PFSA, the authority exercising supervision over the financial markets and banking sector in Poland. The level of supervision and regulation of these products and services is also affected by directives and regulations issued by European regulatory authorities. Additionally, the business, financial condition and results of operations of the Group's activities in Ukraine are impacted by many legal regulations, instructions and recommendations, including those issued by the NBU.

The Bank and other Group entities may not be able to meet all applicable regulatory requirements or recommendations of the regulatory authorities and thus may be subject to sanctions, fines and other penalties in the future for their failure to comply with the applicable requirements. Any such sanctions, fines or other penalties as well as changes in regulatory requirements may have an adverse effect on the business, financial condition and results of operations of the Group.

***The Bank'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 Bank to mitigate credit risk and to protect against credit exposures prove less effective than expected. The Bank employs qualitative tools and metrics for managing risk that are based on observed historical market behaviour. These tools and metrics may fail to predict future risk exposures, especially in the current market environment of increased volatility and falling valuations. Given the Bank's recent expansion in consumer finance and corporate banking, the risk management systems employed by the Bank may prove insufficient in measuring and managing risks. As a result, the Group's business, financial condition and results of operations may be adversely affected.

***The Bank is Subject to Operational Risk Inherent in Its Business Activities***

The Bank is subject to the risk of incurring losses or unforeseen costs relating to: inadequate or failed internal processes, human errors, system failures or external events such as errors made during the execution of operations, clerical or record keeping errors, business disruptions (caused by various factors such as software or hardware failures and communication breakdowns), fraud, unauthorised transactions and damage to assets. The Bank also outsources certain activities, including IT services as well as document consignment services, to third parties. Any failure of the Bank's risk management system to detect or correct operational risk or of third parties to adequately perform the activities outsourced to them could affect the Bank's business, financial condition and results of operations.

***The Group May Not Be Able to Hire, Train or Retain a Sufficient Number of Qualified Staff***

The success of the Group's business depends 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. In Poland, there is strong competition for qualified personnel specialised in banking and finance, especially at middle and upper management levels. The level of competition increased when large foreign banks entered the Polish market. Some competitors in the Polish market have taken an aggressive approach to the recruitment of qualified and talented staff currently employed by the competition and are offering significant compensation increases. 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 Bank's senior management or key employees of the Group's

companies may resign at any time, which could harm the relationships the Group's companies have developed with its clients. 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.

***Risk Resulting From Frequent Changes in the Composition of the Management Board During Any Specific Term in Office***

In the last few years, there have been several changes in the composition of the Management Board during a specific term in office. Given the position of the Bank in the Polish banking sector, the importance of the Management Board to the operation of the Bank and the high profile status of the Management Board in the Polish banking sector, frequent changes in the composition of the Management Board during a term in office may have an adverse effect on the Bank's reputation.

***The Group's IT Systems May Fail or Its Security May Be Compromised, Which Could Damage the Group's Business and Adversely Affect Its Financial Condition and Results of Operations***

The Group relies heavily on its IT systems for a variety of functions, including processing applications, providing information to customers and maintaining financial records. Despite the implementation of security and back-up measures, in light of the growing importance of the electronic access channels, the Integrated IT System and other IT systems used in the Group may be vulnerable to physical or electronic intrusions, computer viruses or other attacks. Moreover, programming errors and similar disruptive problems could impact the Group's ability to serve its clients' needs on a timely basis, interrupt the Group's operations, damage the Group's reputation and require it to incur significant technical, legal and other expenses. In addition, there is no guarantee that the Integrated IT System or upgraded information technology systems will achieve all of its parameters or will be sufficient to meet the needs of the Group's growing and changing business.

These risks may have an adverse effect on the business, financial condition and results of operations of the Group.

***The State Treasury Holds Corporate Control Over the Bank***

As at the date of this Base Prospectus, the State Treasury directly held Existing Shares representing 40.99% of the Bank's share capital and the state owned Bank Gospodarstwa Krajowego (**BGK**) directly held Existing Shares representing 10.25% of the Bank's share capital. This gave the State Treasury together with BGK the right to exercise 51.24% of the total number of votes at any General Meeting.

The State Treasury together with BGK are 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, the State Treasury together with BGK have majority voting power at the General Meeting, and thus have a decisive voice regarding major corporate actions, such as the amendment of the Statute, issuance of new shares of the Bank, decrease of the Bank's share capital, issuance of convertible bonds, payment of dividends and other actions which according to the Commercial Companies Code require qualified or simple majority vote at a General Meeting for approval. In addition, the State Treasury holds a sufficient number of votes to appoint a majority of the members of the Supervisory Board, which in turn appoints the president of the Management Board and, at his request, the remaining members of the Management Board. As a result, the State Treasury has the ability to exercise considerable control over the Bank's operations.

***Risk of the Bank's State Treasury and/or Governmental Benefits Being Classified as Public Aid***

The Bank is party to several agreements with the State Treasury and/or other governmental agencies through which it directly or indirectly benefits from access to public funds, and such benefits could be classified as "public aid" within the meaning of Art. 87 of the Treaty Establishing the EC. In

particular, this interpretation may apply to the State Treasury guarantee of the old portfolio of housing loans, as well as the other guarantees and/or additional payments by government agencies from which the Bank benefits. The European Commission has not received notice of certain of these benefits, including, *inter alia*, the old portfolio guarantee, and consequently, their admissibility under EC regulations has not been established. There are a number of arguments that the benefits in question do not constitute “public aid” or alternatively that, even if classified as “public aid”, these benefits may be subject to specific exemptions. There is a risk that the benefits received by the Bank will be subject to an examination procedure by the European Commission. If such benefits are found to be non-compliant with EC regulations, the Bank will be required to return any public aid and will be deprived of such aid in the future. This may adversely affect the business, financial condition and results of operations of the Group.

#### ***The Bank May Be Required to Make Substantial Contributions to the Bank Guarantee Fund***

Pursuant to the provisions of the Bank Guarantee Fund, the Bank is a member of the mandatory guarantee system and is obliged to create a fund to guarantee the claims of its depositors. If an entity that is a member of the fund is declared bankrupt, other members may be required to make additional one-off payments to cover the liabilities of such entity. The amount of the payment by each member would be proportional to its interest in the Bank Guarantee Fund. Due to the 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 Bank Guarantee Fund than that of its competitors whose scale of business is relatively smaller than that of the Bank. This may have an adverse effect on the business, financial condition and results of operations of the Group.

#### ***The Bank May Fail to Comply with Provisions of the MiFID as They are Implemented in Poland and Will Incur Significant Costs Relating to Its Implementation***

As at the date of this Base Prospectus, Poland has not fully implemented the provisions of MiFID, which financial institutions in Poland are required to implement by 17 June 2010. MiFID aims to harmonise the laws of the Member States as they relate to trading in financial instruments and related services, particularly the execution of clients’ orders, conflicts of interest policies, classification of clients and assessment of suitability and appropriateness of products in light of the knowledge and experience of clients. Currently, the Bank is working on adapting its own regulations to the provisions of the directive. On 17 June 2010, the Bank’s regulations will be adapted to the requirements of the directive. Due to a lack of full implementation of the MiFID in Poland and the potential uncertainties surrounding the scope and mechanics of application of the MiFID in Poland, there is a risk that the Bank may not comply with all or some provisions of the MiFID, which may have an adverse effect on the Group’s business, financial condition and results of operations. Furthermore, in connection with the implementation of the MiFID, the Bank will have to incur additional financial costs which may have an adverse effect on the business, financial condition and results of operations of the Group.

#### ***The Risk Involved in the Decisions of the Antimonopoly Authorities***

The Group’s business must comply with regulations regarding competition, consumer protection and public aid. Under the Antimonopoly Act, the President of the Office for Competition and Consumer Protection (the “**Antimonopoly Office**”) 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 Antimonopoly Office 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 Antimonopoly Office may order the discontinuance of such practices and may also impose a fine. The President of the Antimonopoly Office 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, by 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 EC and other community legislation apply directly, while the authority competent to enforce them is the European Commission or the President of the Antimonopoly Office. Within the scope of their competencies, the European Commission or the President of the Antimonopoly Office 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 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, foreign competition authorities or financial sector regulatory authorities. The grant of any such consent depends, among other things, on the evaluation of the consequences that the relevant concentration may have on the competition in the market. No assurance can be given that any such consents would be granted. If consent for concentration is refused for a particular acquisition, it will prevent the completion of such acquisition and would restrict the Group's ability to grow, which could adversely affect the business, financial condition and results of operations of the Group.

### ***Banks in Poland Face Formalistic and Prolonged Procedures for the Perfection of Mortgages***

Mortgages in Poland are perfected by registering the mortgage with land and mortgage registries (*księgi wieczyste*) kept by local courts corresponding to the location of the real estate. The procedure of establishing a security interest by registering a mortgage in the land and mortgage registry book may be time-consuming depending on the location of the given court. In addition, the procedure is very formalistic, and the court may refuse registration if there are even minor errors in the application for registration. Traditionally, banks in Poland will disburse loans prior to the registration of the mortgages in the land and mortgage registry book. As a result, there will be a period prior to registration when the loans are not collateralised by the mortgage. In order to limit the risks related to granting unsecured loans, banks will insure these loans during the interim period. If the borrower defaults on the loan before the mortgage is registered and the insurance company fails to pay damages under the insurance policy, the Bank's claim under the loan may be unsecured and thus difficult to collect, which may have an adverse effect on the business, financial condition and results of operations of the Group.

### ***The Process of Enforcing Security of Bank Loans in Poland Is Difficult and Time Consuming***

Although loans granted by the Bank are secured by various types of collateral, mostly mortgages, the enforcement of such security interests may be time consuming and difficult. In particular, the procedures for the sale or other enforcement of mortgages on real property may be protracted and difficult to implement in practice. A delay in enforcing or inability to enforce a security interest in collateral may have an adverse effect on the business, financial condition and results of operations of the Group.

### ***Litigation 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 Bank and the Group's companies may be subject to the risk of litigation by customers, employees, shareholders or others through private actions, administrative proceedings, regulatory actions or other litigation. As of the date of this Base Prospectus, 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

breach 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 may adversely affect the Group's business, financial condition and results of operations.

#### ***Investors May Not Be Able to Enforce Foreign Courts' Judgments Against the Bank***

The Bank is an entity established and operating in accordance with Polish law and the vast majority of the Group's assets are located in the territory of Poland. Investors from the EU may enforce, in Poland, any judgment issued by a court in a Member State, because Poland, as a Member State, directly applies Council Regulation No 44/2001 of 22 December 2000 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. Investors outside of the EU may face difficulties when attempting to enforce, in Polish courts, judgments that are issued by foreign courts. In general, foreign court judgments issued in civil matters are recognised by operation of law and may be enforced in Poland pursuant to the general provisions of the Polish Civil Procedure Code. Judgments of foreign courts may be enforced in Poland provided that, *inter alia*, the judgments of foreign courts are final in their original jurisdiction and do not contradict the basic principles of the Polish legal system. The Bank cannot provide assurance that all conditions precedent to the enforcement of foreign judgments in Poland will be met or that any particular judgment will be enforceable in Poland.

#### ***Reprivatisation Claims May Be Brought Relating to Certain Real Estate in the Group's Possession***

As a result of the nationalisation of property in Poland after the Second World War, many real estate and business entities which were owned by legal and natural persons have been taken over by the State Treasury. In many cases, these takeovers were in breach of prevailing laws. After Poland's transformation into a market economy in 1989, many former owners of real estate or their legal successors took steps to recover the real estate and business entities that was expropriated after the war, or sought equivalent compensation. However, no comprehensive law regulating reprivatisation claims in Poland has been enacted. Under the laws currently in force, former owners of real estate or their legal successors may file requests with the administrative authorities for the establishment of the invalidity of the administrative decisions by which they were deprived of the real estate. As at the date of this Base Prospectus there are four administrative proceedings for the establishment of the invalidity of administrative decisions issued by public administration authorities with respect to any real estate currently possessed by the Group. Moreover, claims of former owners have been filed with respect to two real properties of the Group (the court proceedings are in progress), and negotiations are conducted to regulate the legal status of one additional parcel. None of the real estate subject to dispute is material from the point of view of the Group's business. Nevertheless, reprivatisation claims may be raised against the Group in the future and any such claims could adversely 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 applicable regulations and the regulations on the issuance 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 also subject to diverse interpretations and may be applied 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 law regulation 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 the 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 tax law, the risk connected with Polish tax law may be greater than that under other tax jurisdictions in the 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, which may have an adverse effect on the business, financial condition and results of operations of the Group.

### **Risks related to the Issuer**

#### ***Centre of main interests***

The Issuer has its registered office in the Kingdom of Sweden. As a result there is a rebuttable presumption that its centre of main interest (“**COMI**”) is in the Kingdom of Sweden and consequently that any main insolvency proceedings applicable to it would be governed by Swedish law. In the recent decision by the European Court of Justice (“**ECJ**”) in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May 2000 on Insolvency Proceedings that the place of a company’s registered office is presumed to be the company’s COMI and stated that the presumption can only be rebutted if “factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect”. As the Issuer has its registered office in the Kingdom of Sweden, has a Swedish director, is registered for tax in the Kingdom of Sweden and has a Swedish corporate services provider, the Issuer and the Borrower do not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision.

### **Risks relating to the Notes**

#### ***As payments under any Series of Notes are limited to certain payments received under the relevant Loan Agreement, Noteholders’ recourse is limited***

The Issuer will only be obliged to make payments under the Notes to Noteholders in an amount equivalent to sums of principal, interest and additional amounts, if any, that it actually receives and retains by or for its account under the relevant Loan Agreement, less any amounts in respect of the Reserved Rights. Consequently, if the Borrower were to fail to meet its obligations fully under any Loan Agreement, the relevant Noteholders could receive less than the full amount of principal, interest and/or additional amounts (if any) on the relevant due date.

#### ***The Noteholders have no direct recourse to the Borrower***

Except as otherwise disclosed in the Terms and Conditions of the Notes and in the Trust Deed, no proprietary or other direct interest in the Issuer’s rights under or in respect of any Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions of the Loan Agreement or have direct recourse to the Borrower, except through action by the Trustee under the Security Interests (as defined in “*Terms and Conditions of the Notes*”). Pursuant to the Security Interests (as defined in “*Terms and Conditions of the Notes*”), the Trustee shall not be required to enter into proceedings to enforce payment under the Loan Agreement, unless it has been indemnified and/or secured by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

Payment of principal and/or interest by the Borrower under any Loan Agreement to, or to the order of, the Trustee or the Principal Paying Agent will satisfy *pro tanto*, the Issuer’s obligations in respect

of the corresponding Notes. Consequently, Noteholders will have no further recourse against the Issuer or the Borrower after such payment is made.

***The risk of prepayment of a loan is assumed in part by the Noteholders***

Under the terms of each Loan Agreement the Borrower may, subject to certain conditions, prepay the relevant Loan if it is required to increase its payments for tax reasons regardless of whether the increased payment obligations result from any change in the applicable tax laws or treaties or from the change in application of existing tax laws or treaties or from enforcement of the security provided for in connection with the corresponding Notes. The Borrower may also prepay the relevant Loan if it is required to indemnify the Issuer in respect of certain increased costs to the Issuer (as set out in the relevant Loan Agreement). In the event that it becomes unlawful for the Issuer to allow the relevant Loan to remain outstanding under the relevant Loan Agreement, to allow the corresponding Notes to remain outstanding, to maintain or give effect to any of its obligations under the relevant Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the relevant Loan, the Issuer may require the Borrower to repay the relevant Loan in full. In case of any such prepayment, all outstanding corresponding Notes would be redeemable at par with accrued interest and/or additional amounts payable (if any).

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***Payments on a Loan may be subject to Polish withholding tax***

In general, payments of interest on borrowed funds by a Polish entity to a non-resident legal person are subject to Polish withholding income tax at a rate of 20%, subject to reduction or elimination pursuant to the terms of an applicable double tax treaty. Based on the professional advice it has received, the Borrower believes that payments of interest on the Loans made by the Borrower to the Issuer will, more likely than not, not be subject to withholding taxes under the terms of the double taxation treaty between Poland and Sweden, provided that the Polish tax documentation requirements (namely, an annual advance confirmation of the Issuer's tax residency) are satisfied. However, there can be no assurance that such double tax relief will continue to be available.

If the payments under the Loan Agreement are subject to any withholding taxes for any reason (as a result of which the Issuer would reduce payments under the Notes in the amount of such withholding taxes), the Borrower is required to increase payments as may be necessary so that the Issuer receives the net amount equal to the full amount it would have received in the absence of such withholding taxes. In the event that the Borrower fails to increase the payments, such failure would constitute an Event of Default under a Senior Loan Agreement. If the Borrower is required to increase payments, it may prepay the Loan in full. In such case, all outstanding Notes would be redeemable at par with accrued interest.

***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.

***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 and the Borrower. Although application has been made for the Notes issued under the Programme to be admitted to listing on the Luxembourg Stock Exchange, 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.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. The Issuer and the Borrower cannot predict when these circumstances will change and, if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in the future.

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

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

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

### ***Notes issued with a Minimum Denomination***

Notes will be issued with a minimum denomination. The Final Terms of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg (or other relevant clearing system) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if (a) Euroclear or Clearstream, Luxembourg (or 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 (b) any of the circumstances described in Condition 9 (*Enforcement*) occurs. The Final Terms may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination might be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

### ***Modification***

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 Trustee may also agree, without the prior consent of any of the Noteholders, to modify any of the Notes, the Conditions, the Trust Deed or the Loan Agreements (subject to certain exceptions), which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the Noteholders (of a Series of Notes).

### ***EU Savings Directive***

If, pursuant to the European Union Savings Directive (Council Directive 2003/48/EC) (the “**EU Savings Directive**”), a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive. See also “*Taxation – EU Savings Directive*” below.

### ***Change of law***

The provisions of the Loan Agreements, the Trust Deed, the Agency Agreement, the Account Bank Agreement and the Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, other than those provisions of the Subordinated Loan Agreements which relate to the subordination of the amounts received under the Subordinated Loans, which will be based on Polish law in effect as at the date of any series prospectus relating to the Subordinated Loan Agreement. 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.

## INFORMATION INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the audited consolidated financial statements of the Group for the year ended 31 December 2009:
  - (a) consolidated income statement (page 5);
  - (b) consolidated statement of comprehensive income (page 5);
  - (c) consolidated statement of financial position (page 6);
  - (d) consolidated statement of changes in equity (page 7);
  - (e) consolidated cash flow statement (page 8); and
  - (f) notes to the financial statements (pages 9 to 141);
2. the auditors' opinion on the audited consolidated financial statements of the Group for the year ended 31 December 2009 (pages 1 to 2);
3. the audited consolidated financial statements of the Group for the year ended 31 December 2008:
  - (a) consolidated income statement (page 5);
  - (b) consolidated balance sheet (page 6);
  - (c) consolidated statement of changes in equity (page 7);
  - (d) consolidated cash flow statement (page 9); and
  - (e) notes to the financial statements (pages 10 to 137);
4. the auditors' opinion on the audited consolidated financial statements of the Group for the year ended 31 December 2008 (pages 1 to 2);
5. the audited stand-alone financial statements of the Issuer for the year ended 31 December 2009:
  - (a) administration report (page 2);
  - (b) income statement (page 3);
  - (c) balance sheet (page 4);
  - (d) notes to the financial statements (pages 5 to 6);
6. the auditor's report on the audited stand-alone financial statements of the Issuer for the year ended 31 December 2009;
7. the audited stand-alone financial statements of the Issuer for the period 1 July 2007 to 31 December 2008:
  - (a) administration report (page 2);
  - (b) income statement (page 3);
  - (c) balance sheet (page 4);
  - (d) notes to the financial statements (pages 5 to 6); and

8. the auditor's report on the audited stand-alone financial statements of the Issuer for the period 1 July 2007 to 31 December 2008.

Any information not listed in the cross reference list above but included in the documents incorporated by reference is given for information purposes only. Each of the Borrower and 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 and the Listing Agent in Luxembourg, unless such documents have been modified or superseded. Such documents will also be available to view on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## 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 the Borrower 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 and the Borrower have endeavoured to include 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. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained 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, supplement 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 as supplemented, amended and/or replaced to the extent 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 either (1) by a single document containing the necessary information relating to the Issuer and the Borrower and the relevant Notes or (2) by a registration document (the “**Registration Document**”) containing the necessary information relating to the Issuer and the Borrower, a securities note (the “**Securities Note**”) containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

## **USE OF PROCEEDS**

The Issuer will use the proceeds from the offering of each Series of Notes solely to finance the corresponding Loan to the Borrower. The Borrower will use the proceeds from such Loan to fund its lending activities or for general banking purposes (unless otherwise specified in the relevant Final Terms). In connection with the receipt of such Loan, the Borrower will pay an arrangement fee, as reflected in the relevant Loan Supplement.

## SELECTED FINANCIAL INFORMATION

### Capitalisation

The following table sets forth the Bank's total equity as at 31 December 2009 and 31 December 2008. The information was extracted without material adjustments from the financial statements of the Bank for the year ended 31 December 2009 which have not been incorporated in the Base Prospectus by reference (the "2009 Stand-Alone Financial Statements") and should be read in conjunction with these financial statements and with the other financial data included or incorporated by reference elsewhere in this Base Prospectus (the table includes unconsolidated data).

	<b>As at</b> <b>31 December 2009</b>	<b>As at</b> <b>31 December 2008</b>
	<i>(in PLN thousand)</i>	
	<i>(audited)</i>	
Share capital .....	1,250,000	1,000,000
Reserve capital .....	12,048,111	7,216,986
General banking risk fund .....	1,070,000	1,070,000
Other reserves .....	3,276,260	1,395,000
Revaluation reserve .....	102,994	(33,874)
Net profit for the year.....	2,432,152	2,881,260
<b>Total equity</b> .....	<b>20,179,517</b>	<b>13,529,372</b>

Source: 2009 Stand-Alone Financial Statements

## Selected Financial Data

The following table sets forth selected consolidated financial data of the Group as at and for the years ended 31 December 2009 and 31 December 2008. The information was extracted without material adjustments from the 2009 Consolidated Financial Statements and should be read in conjunction with the financial data included or incorporated by reference elsewhere in this Base Prospectus.

### SELECTED CONSOLIDATED FINANCIAL DATA

	As at and for the year ended 31 December 2009	As at and for the year ended 31 December 2008	As at and for the year ended 31 December 2009	As at and for the year ended 31 December 2008
	<i>(in PLN thousand)</i> <i>(audited)</i>		<i>(in EUR thousand)</i> <i>(audited)</i>	
Net interest income .....	5,051,182	6,127,315	1,163,706	1,734,751
Net fee and commission income .....	2,583,003	2,411,809	595,080	682,826
Operating profit .....	2,942,928	3,961,749	678,000	1,121,641
Net profit (including minority interest) ..	2,311,784	3,139,187	532,595	888,759
Net profit attributable to the parent company .....	2,305,538	3,120,674	531,157	883,518
Capital and reserves attributable to equity holders of the parent company .....	20,428,541	13,951,800	4,972,626	3,343,831
Total equity .....	20,435,870	13,998,016	4,974,410	3,354,907
Net cash flow from/used in operating activities .....	(4,860,163)	3,250,104	(1,119,698)	920,162
Net cash flow from/used in investing activities .....	1,022,670	(3,105,138)	235,606	(879,120)
Net cash flow from/used in financing activities .....	4,559,643	(1,107,039)	1,050,464	(313,422)
Net cash inflow/outflow .....	722,150	(962,073)	166,371	(272,380)
Basic earnings per share (in PLN/in EUR) .....	2.06	3.12	0.47	0.88
Diluted earnings per share (in PLN/in EUR) .....	2.06	3.12	0.47	0.88
Basic funds (Tier 1) .....	16,254,416	11,265,718	3,956,579	2,700,057
Supplementary funds (Tier 2) .....	1,481,052	1,528,517	360,511	366,340
Short-term Capital (Tier 3).....	129,876	91,048	31,614	21,821

Source: 2009 Consolidated Financial Statements

## Consolidated Income Statements

The following table sets forth the consolidated income statements of the Group for the year ended 31 December 2009 and for the year ended 31 December 2008. The information was extracted without material adjustments from the 2009 Consolidated Financial Statements and should be read in conjunction with the financial data included or incorporated by reference elsewhere in this Base Prospectus.

### CONSOLIDATED INCOME STATEMENTS

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
<i>Continued operations</i>	<i>(in PLN thousand) (audited)</i>	
Interest and similar income .....	9,031,330	9,033,781
Interest expense and similar charges .....	(3,980,148)	(2,906,466)
<b>Net interest income</b> .....	<b>5,051,182</b>	<b>6,127,315</b>
Fee and commission income .....	3,335,347	3,144,760
Fee and commission expense.....	(752,344)	(732,951)
<b>Net fee and commission income</b> .....	<b>2,583,003</b>	<b>2,411,809</b>
Dividend income .....	5,381	21,956
Net income from financial instruments designated at fair value through profit and loss .....	60,872	(162,697)
Losses less gains from investment securities .....	(2,622)	(2,986)
Net foreign exchange gains .....	909,139	701,325
Other operating income .....	584,949	522,425
Other operating expenses.....	(324,066)	(230,727)
<b>Net other operating income and expense</b> .....	<b>260,883</b>	<b>291,698</b>
Net impairment allowance.....	(1,681,075)	(1,130,396)
Administrative expenses .....	(4,243,835)	(4,296,275)
<b>Operating profit</b> .....	<b>2,942,928</b>	<b>3,961,749</b>
Share of profit of associates and jointly controlled entities.....	342	15,594
<b>Profit before income tax</b> .....	<b>2,943,270</b>	<b>3,977,343</b>
Income tax expense .....	(631,486)	(838,156)
<b>Net profit (including minority interest)</b> .....	<b>2,311,784</b>	<b>3,139,187</b>
Net profit attribute to minority shareholders.....	6,246	18,513
<b>Net profit attributable to the parent company</b> ....	<b>2,305,538</b>	<b>3,120,674</b>
Basic earnings per share (in PLN).....	2.06	3.12
Diluted earnings per share (in PLN) .....	2.06	3.12
Weighted average number of ordinary shares during the period .....	1,121,561,644	1,090,000,000
Weighted average (diluted) number of ordinary shares during the period.....	1,121,561,644	1,090,000,000

#### **Discontinued operations:**

In years 2008 and 2009 the Group did not carry out discontinued operations

Source: 2009 Consolidated Financial Statements

## Consolidated Statements of Comprehensive Income

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2008</b>
	<i>(in PLN thousand)</i>	<i>(in PLN thousand)</i>
	<i>(audited)</i>	<i>(audited)</i>
<b>Profit for the period</b> .....	<b>2,311,784</b>	<b>3,139,187</b>
<b>Other comprehensive income after tax</b> .....	<b>89,430</b>	<b>(288)</b>
Currency translation differences from foreign operations .....	(51,321)	(10,117)
Financial assets available for sale (gross) .....	26,582	11,981
Deferred tax on reassessment of financial instruments available for sale .....	(5,107)	(2,152)
Cash flow hedge (gross) .....	147,254	–
Deferred tax on valuation of financial instruments designated as cash flow hedge .....	(27,978)	–
<b>Total net comprehensive income</b> .....	<b>2,401,214</b>	<b>3,138,899</b>
<b>Total net comprehensive income, of which:</b> .....	<b>2,401,214</b>	<b>3,138,899</b>
attributable to equity holders of PKO Bank Polski SA .....	2,394,911	3,120,851
attributable to minority shareholders .....	6,303	18,048

Source: 2009 Consolidated Financial Statements

## Consolidated Statements of Financial Position

The following table sets forth the consolidated statements of financial position of the Group as at 31 December 2009 and 31 December 2008. The information was extracted from the 2009 Consolidated Financial Statements and should be read in conjunction with the financial data included or incorporated by reference elsewhere in this Base Prospectus.

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION as at 31 December 2009 and 31 December 2008

	As at 31 December	
	2009	2008
	<i>(in PLN thousand)</i> <i>(audited)</i>	
<b>ASSETS</b>		
Cash and balances with the central bank .....	7,094,350	5,836,892
Amounts due from banks .....	2,023,055	3,363,599
Trading assets .....	2,212,955	1,496,147
Derivative financial instruments .....	2,029,122	3,597,670
Financial assets designated at fair value through profit and loss .....	12,360,690	4,555,544
Loans and advances to customers.....	116,572,585	101,107,891
Investment securities available for sale .....	7,944,317	8,614,913
Securities held to maturity .....	9,894	–
Investments in associates and jointly controlled entities .....	228,692	247,145
Non-current assets held for sale .....	13,851	–
Inventories .....	653,075	622,410
Intangible assets .....	1,572,577	1,352,778
Tangible fixed assets .....	2,777,694	2,964,659
- including investment properties .....	322	24,170
Current income tax receivables .....	7,184	6,649
Deferred income tax asset .....	403,218	239,237
Other assets .....	575,426	630,452
<b>TOTAL ASSETS</b> .....	<b>156,478,685</b>	<b>134,635,986</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Liabilities</b>		
Amounts due to the central bank .....	6,581	2,816
Amounts due to other banks.....	5,146,048	6,988,603
Derivative financial instruments .....	1,544,370	6,150,337
Amounts due to customers .....	125,072,934	102,939,281
Debt securities in issue.....	289,360	211,573
Subordinated liabilities .....	1,612,178	1,618,755
Other liabilities.....	1,566,623	1,667,776
Current income tax liabilities .....	181,893	472,228
Deferred income tax liability .....	20,534	20,585
Provisions .....	602,294	566,016
<b>TOTAL LIABILITIES</b> .....	<b>136,042,815</b>	<b>120,637,970</b>
<b>Equity</b>		
Share capital.....	1,250,000	1,000,000
Other capital .....	16,732,988	9,835,307
Currency translation differences from foreign operations .....	(108,791)	(57,413)
Retained earnings.....	248,806	53,232
Net profit for the period .....	2,305,538	3,120,674
<b>Capital and reserves attributable to equity holders of the parent company</b> .....	<b>20,428,541</b>	<b>13,951,800</b>
Minority interest.....	7,329	46,216
<b>TOTAL EQUITY</b> .....	<b>20,435,870</b>	<b>13,998,016</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>156,478,685</b>	<b>134,635,986</b>

Source: 2009 Consolidated Financial Statements

## DESCRIPTION OF THE GROUP

### Overview

PKO BP is the largest commercial bank in Poland and the leading bank in the Polish market in terms of total assets, loans and deposits, size of the customer base and the distribution network. Historically, the Bank was focused mainly on providing retail banking products and services and commenced offering corporate banking products and services on a larger scale in 2004.

As of 31 December 2009, the Bank serviced approximately 7.9 million retail customers (including Inteligo customers), including approximately 314,400 SME clients and 10,700 corporate clients. Approximately 639,200 Bank customers used the Inteligo electronic banking platform. The Bank also generates income from its investment operations by investing the Bank's excess liquidity on the interbank and Polish treasury securities markets.

The Group has been offering banking products and services in Ukraine since 2004 through its subsidiary KREDOBANK.

In addition to products and services offered in its retail banking and corporate banking, the Group provides specialist financial services in leasing, factoring, investment funds, pension funds, internet banking and electronic bank card payment services. Moreover, the Group carries out real estate investment and development.

With 1,228 branches, 2,175 agencies, 1,804 financial intermediaries, and 2,388 ATMs, as of 31 December 2009, the Bank has the largest and most extensive distribution network for banking products and services in Poland and is able to attract and service its clients throughout Poland. The Bank employed 27,846 full-time equivalent staff and employees as of 31 December 2009.

As of 31 December 2009, the Group had total assets of PLN 156,478.7 million, amounts due to customers of PLN 125,072.9 million and loans and advances to customers of PLN 116,572.6 million, thus the Group, and, simultaneously the Bank, had market shares of 14.5%, 19.0% and 17.3%, respectively.

For the year ended 31 December 2009, the Group generated a net profit attributable to the parent company of PLN 2,305.5 million.

The Group has a strong capital base, with a capital adequacy ratio of 14.66% as of 31 December 2009. The Bank is the largest bank in Poland in terms of shareholders' equity, with shareholders' equity of PLN 20,179.5 million (including the fair value adjustment of the available-for-sale portfolio charged or credited to the revaluation reserve) as of 31 December 2009.

### History

#### *History of the PKO Group*

Pocztowa Kasa Oszczędnościowa, the predecessor of PKO Bank Polski was established in 1919. PKO initially relied on a nationwide network of post offices, which it used as outlets for operating its business. Following World War II, PKO re-commenced operations in 1948 and operated independently until 1975 when it was acquired by the NBP and together with its existing branch network was incorporated into the NBP. PKO was re-established as an independent legal entity in 1987 and designated by the Polish government as one of four national specialised banks to service a special sector of the centrally planned economy with a focus on retail deposits and mortgage and real estate, including financing housing associations. The systemic political transition and fundamental economic reforms initiated in Poland at the end of 1989 created new opportunities for the Bank and spurred the Bank's development.

In 1991, the Bank established its brokerage division, Bankowy Dom Maklerski (presently DM PKO BP), a specialist organisational entity of the Bank. In the early 1990s the formation of the Group

commenced; the Group consists of the Bank and its subsidiaries that supplement and support the fundamental business segments by rendering specialist financial and non-financial services. In 1997, the Bank sought to broaden its product offering beyond its traditional banking business and, jointly with the Credit Suisse Group, established PKO/Credit Suisse, an asset management company. In the second half of 1998, the Bank, together with Bank Handlowy, jointly established PKO/Handlowy Powszechne Towarzystwo Emerytalne SA (currently PKO BP BANKOWY PTE), a universal pension fund company that manages an open pension fund. In 1999, the Bank established a leasing company under the name Bankowy Fundusz Leasingowy and established an electronic payment services centre – CEUP. In 2002, the Bank acquired an existing on-line banking company, Inteligo, a leader on the Polish market. Since 2004 the Bank has been offering banking products and services in Ukraine through its subsidiary KREDOBANK. In 2007 the Bank opened its first foreign branch in London.

In 2000 PKO BP was transformed from a state-owned enterprise into a joint stock company named “Powszechna Kasa Oszczędności Bank Polski S.A.” while it remained a wholly-owned subsidiary of the State Treasury.

The initial public offering of shares in the Bank was completed in November 2004. In October 2009, the Bank completed a rights offering and increased its share capital by 250,000,000 shares. As of the date of this Base Prospectus, 740,000,000 Shares are traded on the main market of the Warsaw Stock Exchange (the “WSE”) under the symbol “PKOBP”.

## **Competitive Strengths**

The Management Board believes that the following competitive strengths of the Group will enable it to capitalise on the growth opportunities in its target markets:

### ***The Market Leader and a Pillar of Stability***

Poland’s economy has withstood the global economic and financial downturn better than most countries in Europe. Poland’s GDP increased by 1.7% in 2009, compared to a decrease of 4.1% in the GDP for the countries in the Eurozone (based on Eurostat data). PKO BP is the market leader in Poland – the largest bank in the country, measured by total assets, loans and deposits, size of customer base and breadth of geographic coverage. The Management Board believes that this leadership position, together with prudent risk management, economies of scale and focus on the domestic market, will allow the Bank to withstand the economic and financial downturn with greater financial strength than many of its local and foreign competitors. The Bank also believes that this market leadership position, together with a comprehensive range of products and services, will provide the Bank with a strong platform for sustained and profitable growth.

### ***Strong Capital Base, Liquidity and Balance Sheet***

The Bank has maintained a sound capital position throughout the financial crisis, with a capital adequacy ratio of 14.28% (Tier 1 capital ratio of 13.28%, Tier 2 capital ratio of 0.89% and Tier 3 capital ratio of 0.11%) and with Tier 1 capital at the level of PLN 15,755.5 million as at 31 December 2009. The Bank’s shareholders’ equity of PLN 20,179.5 million as of 31 December 2009 was the largest among Polish banks (based on NBP data and the reports of the banks for the year 2009), and the Bank maintains a strong liquidity position with a loan-to-deposit ratio of less than 100%. The Management Board believes that the Bank’s size, financial stability and liquidity position have enabled the Bank to generate operating margins that exceed the operating margins of most of its competitors. In addition, the Bank’s conservative business focus has enabled it to maintain a comparatively high quality loan portfolio, with a non-performing loan ratio of 7.0% (according to the individual and portfolio valuation method) as at 31 December 2009. The Bank’s investment portfolio consists primarily of domestic treasury securities, and the Bank has no exposure to high-risk assets, such as collateralised debt obligations. The Bank believes that its strong capital base, liquidity and statement of financial position will provide the Group with strong opportunities to attract new customers and to grow its loan portfolio profitably.

### ***Largest Retail Customer Base and Distribution Network***

With approximately 7.9 million retail customers, the Bank has the largest customer base in Poland and maintains an extensive distribution network that offers significant opportunities to attract additional customers and expand its range of products and services to existing customers. The Bank has 1,160 retail branches, 2,175 agencies, and 2,388 ATMs, the most of any bank in Poland, which provide convenient access to consumers throughout the country. This distribution network is supported by iPKO, which provides customers with web-based access to their accounts, and Inteligo, an exclusively electronic banking platform with approximately 639,200 customers. As of 31 December 2009, the Bank maintained deposits of PLN 124,044.4 million, which represented a market share of 19.0% of the total Polish bank deposits (based on NBP data) and the value of loans and advances to customers of PLN 114,425.8 million, which represented 17.3% of the total loans extended by commercial banks in Poland (based on NBP data). The Bank believes it has significant potential to increase its customer base by pursuing opportunities in customer groups where it is currently underrepresented, such as affluent consumers, students and young people, at the beginning of their careers.

### ***Established Brand with National Identity***

Founded in 1919, the Bank is one of the oldest banks and among the most recognised brands in Poland. According to a study by Millward Brown SMG/KRC, an independent market research firm, PKO BP is placed first for name recognition in Poland, and for the past four years, PKO BP has been ranked as the strongest brand in the financial sector by the leading Polish business daily, *Rzeczpospolita*. In addition, the Bank's iPKO brand is well recognised in Poland and provides a strong foundation for growth in electronic banking, which has become one of the most important distribution channels for banks around the world. The Bank believes that its strong national identity, particularly during the current global economic downturn, provides a sense of security for current and prospective clients, who view the Bank as a stable, reliable financial institution.

### ***Strong Financial Performance***

The Bank's core banking activities generate consistent, recurring income with only a small contribution from trading and other less stable revenue sources. For the year ended 31 December 2009, the Bank's net return on equity (**ROE** net) and net return on assets (**ROA** net) were 14.4% and 1.7%, respectively. In addition, the Bank has focused on enhancing operating efficiencies, with a cost to income ratio of 46.7% for the year ended 31 December 2009, compared to 54.6% as at 30 September 2009 for the Polish banking sector (based on PFSA data), and believes that it has significant potential to continue to reduce its operating costs.

### ***Prudent Risk Management***

An integral part of the Bank's organisation and culture is its prudent approach to risk management. The Bank's consistent focus on risk management has resulted in comparatively low loan losses and sound asset quality, even in the current global economic downturn. The Bank has maintained its orientation towards core retail and corporate banking products, thereby enabling it to avoid material losses resulting from investments in structured credit instruments. The Bank's long-standing experience in risk management has enabled it to create the largest databases of risk profiles in Poland which was recently expanded to also cover SMEs. The Bank uses such databases to prepare detailed risk management models. In addition, the Bank recently completed the development and implementation of a centralised, integrated information technology system, one of the largest information technology projects ever carried out in Poland. Among other benefits, the new system has enabled the Bank to improve its lending practices and actively manage its client exposures. The Bank continues to refine its risk management techniques, including the implementation of a behavioural modelling system that focuses on a customer's cumulative risk profile, rather than risks associated with individual products.

### ***Integrated and Comprehensive Product and Service Offering***

The Group provides a wide range of complementary financial products and services, including specialised financial services such as leasing, on-line banking, investment funds, pension funds and electronic payment services. The Group is able to capitalise on its diverse range of products and services to strengthen relationships by cross-selling these products and services to meet increasing customer needs.

### **Long-Term Strategy**

The Group's objectives are to strengthen its leadership position in the Polish banking market and to pursue value creation for the benefit of its shareholders. The Group has developed a comprehensive range of products and services, which enables it to build long-term relationships with existing customers and to attract new customers.

The global financial crisis has weakened the capital strength and liquidity of a number of the Bank's competitors. Therefore, many commercial banks in Poland have reduced their lending activities. This is particularly true for foreign-owned banks, which have been adversely affected by market conditions in their home countries. The Bank believes that its strong capital position, deposit-gathering capability and name recognition provide a significant competitive advantage in current market conditions as it pursues income and profit growth and market share gains in both retail and corporate segments.

The Group's strategy consists of the following components:

#### ***Increase Business with Existing Customers***

The Bank believes that there is significant potential to develop additional business opportunities with existing retail and corporate customers. The Bank intends to strengthen its relationships with existing customers by expanding the reach of its distribution network, improving service levels and operational efficiency, and widening its range of products and services in order to remain competitive in all customer segments.

The Bank's leading positions in mortgage and deposit products enables the Bank to develop long-term relationships with retail customers who have opportunities to draw from the Bank's full range of resources. As part of its marketing strategy, the Bank seeks to capitalise on its existing relationships with retail customers through cross-selling efforts aimed at increasing their awareness of other products that are offered by Group entities. As part of this strategy, the Bank strives to promote sales of products and services that generate fee and commission income, which have the potential to generate high margins, with relatively low risk to capital and quality.

In order to expand its cooperation with existing clients, the Bank intends to continue to focus on improving service levels and to use its expertise in the sale of products and services. The Bank intends to improve the quality of customer service by, among other things, simplifying procedures and automating processes. The Bank's objective is to encourage its customers to select the Bank as the provider of all banking and finance products offered by the Group. The Bank is developing a more sophisticated product offering (treasury products, structured deposits, transactional banking products, leasing products and factoring products), to meet the increasing needs of its clients and to ensure a comprehensive service for such clients. In addition, the Bank has been investing in product specialists and relationship managers to increase sales and build customer loyalty.

#### ***Attract New Customers***

The Bank believes that it can capitalise on its leading market position to attract additional customers through its comprehensive range of products and services, extensive distribution platform, well-recognised brand and high service levels. Particularly in the current market environment, with competitors being more constrained, the Bank believes that its capital strength, liquidity and reputation for financial security will provide opportunities to grow market share.

The Bank intends to use its respected mortgage and deposit products to create long-term relationships with new retail customers, particularly in the affluent consumer segment, as well with students and young professionals. The Bank also believes that there are significant opportunities to develop relationships with corporate customers, including local governments and infrastructure projects where the Bank believes its experience provides it with a strong advantage. Since entering the corporate market, the Bank has developed a comprehensive range of product offerings and is committed to expanding its corporate business through local customer relationships.

### ***Improve Distribution Reach and Service Quality Levels***

The Bank aims to improve the effectiveness of its existing distribution platform and expand its customer reach. The Bank is investing in its staff to improve product knowledge and service levels. Local relationship managers are supported by product specialists to ensure that corporate customers have access to the Bank's complete range of products and services. In addition, the Bank will continue to invest in initiatives that enhance the customer satisfaction level. For example, the Bank's customers can transact through internet-based platforms, mobile phones and a call centre.

### ***Enhance Returns on Capital and Increase Margins through Cost Reductions***

One of the Group's key strategic goals is to reduce its cost base while maintaining strong service levels for its customers. In 2008, the Bank completed a five-year project to launch a comprehensive information technology system that enhances cross-selling opportunities and improves the Bank's risk management and loan monitoring functions. The Bank's efforts to contain costs and improve efficiency have intensified in recent years and are aimed at controlling administrative expenses by focusing on reducing administrative expenses, consolidating procurement and rationalising and centralising processes. The Bank has reduced headcount by an average of 1,500 employees per year since 2004 and recently announced plans to reduce headcount by an additional 1,050 employees in 2010. Through cost reductions and continued growth in its business, the Group expects to further reduce its cost to income ratio. Moreover, the Bank will continue to carefully monitor all investment opportunities in companies providing financial services in Poland and abroad that could complement the product and service offering of the Group should a suitable opportunity arise. As of the date of the Base Prospectus the Bank has not selected any potential acquisition targets.

### **Mid-Term Strategy**

On 24 February 2010 the Supervisory Board of the Bank adopted a mid-term strategy for the years 2010-2012. The strategy consists of four main pillars. The Bank aims to maintain the status of a universal bank with significant market shares in all material market segments. It will focus on customer service, with the goal of increasing the number of the Group's products and services cross-sold to its customers. Moreover, the Bank intends to continue its policy of balanced growth. While the Bank plans to utilise the majority of the proceeds from the recent share capital increase and its deposit base to fund its lending activities, it also plans to diversify its funding base with funds obtained from the offering of debt securities. The Bank will focus its growth in lending activities primarily on an increase in corporate and mortgage loans. Finally, the Bank plans to expand its distribution network by increasing its presence in large cities, as well as by developing its internet bank and online banking channels.

### **Operations**

PKO BP is the largest commercial bank in Poland and offers a broad range of retail and commercial banking products and services to private individuals, SMEs, corporate and public sector entities. The Bank is the undisputed market leader in retail banking (based on NBP data and the reports of the banks for the year 2009) and enjoys a strong and growing market position in corporate banking.

In addition to products and services offered in its retail banking and corporate banking, the Group offers a range of products and services in brokerage, asset management, pension funds, financial

support and leasing, card payment settlement, and real estate development. In the years ended 31 December 2008 and 2009, net profit of the Bank's consolidated subsidiaries (before consolidation adjustments) accounted for 7.7% and (5.5%) of the Group's consolidated net profit attributable to the parent company, respectively.

The Group divides its operations into three segments: retail banking, corporate banking, and investment activities:

- The retail banking segment comprises transactions of the Bank with retail customers, SMEs and mortgage market clients, as well as the activities of the following subsidiaries: KREDOBANK, PKO BP BANKOWY PTE, PKO TFI, Inteligo group, CEUP eService, PKO BP Inwestycje group and Fort Mokotów Inwestycje. This segment includes, among others, the following products and services: current and saving accounts, deposits, private banking services, investment products, credit and debit cards, consumer and mortgage loans, corporate loans for SME, and housing market customers.
- The corporate banking segment includes transactions of the Bank with large corporate clients, as well as the activities of the Bankowy Fundusz Leasingowy group. This segment includes, among others, the following products and services: current and saving accounts, credit products, deposits, depositary services, currency and derivative products, sell buy-back and buy sell-back transactions, investment loans, and leases. Within the corporate segment, the Bank also enters, on its own or in consortiums with other banks, into loan agreements to finance large investment projects.
- The investment activities segment comprises fiduciary, brokerage and treasury activities. An important part of the operations of the investment segment are inter-bank transactions, derivative instruments debt securities and foreign exchange transactions, as well as transactions with the Bank's retail and corporate customers. The investment activities segment also includes the activities of the BTK group and PKO Finance AB.

The following table shows the Group's gross profit divided into the Group's business segments:

	<b>Year ended 31 December</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>% of all</b>	<b>Amount</b>	<b>% of all</b>
	<i>in PLN</i>		<i>in PLN</i>	
	<i>thousand</i>	<i>%</i>	<i>thousand</i>	<i>%</i>
	<i>(audited)</i>		<i>(audited)</i>	
Retail segment .....	2,979,549	101.2	3,751,809	94.3
Corporate segment .....	379,969	12.9	196,786	4.9
Investment segment .....	(416,590)	(14.2)	13,154	0.3
Share of profit of associates and jointly controlled entities.....	342	0.0	15,594	0.4
Gross profit .....	2,943,270	100.0	3,977,343	100.0

Source: 2009 Consolidated Financial Statements

For the purposes of the discussion and presentation of the operations of the various business segments below, the segment reporting has been made based on management accounts for the Bank only and thus differs from the segment reporting based on the consolidated financial accounts, as presented in the table above.

Detailed information on the Bank's material subsidiaries can be found in the section "Other Areas of the Group's Business Activity".

## **Retail Banking**

### **Overview**

PKO BP is the undisputed leader in the Polish retail banking market. As of 31 December 2009, the Bank had the leading position in terms of total assets, loans, deposits, number of personal accounts maintained and bank cards serviced.

The Bank divides its retail banking customers (“**Retail Banking Customers**”) into the following categories:

- private individual customers (“**PI Customers**”) subdivided into the mass segment (individuals who do not qualify as personal or private banking clients) and personal and private banking clients;
- SMEs with annual turnover up to PLN 5 million; and
- “**Housing Sector Entities**” — entities engaged in the housing sector, including housing associations, real estate developers, real estate agents, housing communities and real estate managers.

As of 31 December 2009, the Bank serviced approximately 7.3 million Retail Banking Customers (excluding Inteligo customers and including approximately 7.0 million PI Customers, 314,200 SMEs, and 31,800 Housing Sector Entities), and approximately 639,200 Inteligo customers, with loans and advances of PLN 88.2 billion and deposits of PLN 95.7 billion.

The Bank’s main retail banking products and services include current and saving accounts, term deposits, lending products (consumer loans, mortgage loans, and investment and working capital loans for SMEs and Housing Sector Entities), payment cards, insurance and investment products.

### **Strategy**

The Bank intends to promote its complete range of retail banking products and services to expand relationships with existing customers and to attract new customers in all segments. The Bank has been successful in cross-selling additional products including consumer loans, credit cards, and insurance products to its existing mortgage and deposit customers. The Bank also seeks to develop relationships with some of the most promising customer groups in the Polish market – affluent consumers who draw on a wider range of the Bank’s products and services, and students and young professionals, who present the potential for long-term relationships.

Following successful growth in mortgage products, the Bank is focused on continuing to expand its presence in the higher margin consumer finance business. In addition, the Bank strives to simplify its business operations. For example, the Bank is investing in the modernisation of its network of branches and agencies, and customers who decide to conduct transactions remotely can choose from internet-based applications, mobile technologies and a dedicated call centre. In particular, the Bank believes that electronic banking has become one of the most important distribution channels for banks across the world, and the Bank intends to build on iPKO’s and Inteligo’s strong brand recognition to increase its share in the Polish market of banking services offered through electronic banking distribution channel. The global financial crisis has weakened many of the Bank’s competitors, and the Management Board believes that the Bank’s liquidity, capital base and funding availability, particularly its deposit-gathering capability, represent competitive strengths for market share gains and increased profitability in the current market environment.

### **Distribution Channels**

PKO BP offers its products and services to Retail Banking Customers through the largest network of branches and agencies in Poland. As of 31 December 2009, the Bank had 1,160 retail branches, which constitute the main channel of distribution of the Bank’s products and services, and 2,175

agencies, which offer cashier services and promote the Bank's products and services based on exclusive agency agreements. The Bank's branch network represented 19.3% of the total number of commercial bank branches in Poland as of 31 December 2009. The Bank is also refurbishing its existing branches to standardise its image throughout its branch network, upgrading its branches to respond to changing client expectations and developing its distribution channels based on new technologies. The Bank's branch and agency network is complemented by non-exclusive financial intermediaries. As of 31 December 2009 the Bank was cooperating with 1,804 active non-exclusive financial intermediaries.

As of 31 December 2009 the Bank operated 2,388 ATMs, which accounted for 15.0% of the total number of ATMs in the Polish market (according to the [www.nbp.pl](http://www.nbp.pl) website) and 321 self-service terminals. The Bank's customers can access their accounts and effect banking transactions through all non-PKO ATM networks in Poland as well as ATMs outside Poland that accept VISA, MasterCard and Diners Card. Customers use the Bank's ATMs for a variety of transactions, including cash withdrawals and ATM deposits and other services.

Notwithstanding its leading market position, the Bank continues to develop and implement new technology-based distribution channels, including a call centre, on-line banking, SMS, WAP and self-service branches, with the goal of expanding the reach of its distribution network and satisfying evolving client expectations in an increasingly competitive market. The Bank offers on-line banking services to its clients using the iPKO platform and to customers that have an Inteligo account. The iPKO platform offers the Bank clients the same products and services that are offered at the Bank's branches. Inteligo offers PI Customers and SME customers on-line access to bank accounts, term deposits and various other products. As of 31 December 2009, the Bank maintained approximately 3.5 million internet on-line accounts (including 0.6 million Inteligo on-line accounts).

### **Products and services**

The Bank's main retail banking products and services include current and saving accounts, term deposits, loan products and investment and bank assurance products. The Bank offers a wide variety of loan products to its Retail Banking Customers, including consumer loans (Superkonto overdraft facilities, including credit lines, personal cash loans, and credit cards), housing mortgage loans, student loans, investment and working capital loans to SME customers and loans to Housing Sector Entities. On the deposit side, the Bank focuses on term deposits, savings and current accounts, mostly in PLN, but also in foreign currencies.

The following table presents gross loans extended to Retail Banking Customers divided by type of product and the total value of deposits made by the Retail Banking Customers with the retail banking division of the Bank as at the dates indicated below.

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<i>(PLN million) (unaudited)</i>	
Retail and private banking loans .....	21,566	18,821
Loans for small and medium size enterprises .....	11,993	9,647
Mortgage loans.....	47,541	41,364
Real estate market customers loans .....	7,116	6,183
<b>Total Retail Banking Customers loans.....</b>	<b>88,216</b>	<b>76,015</b>
Retail and private banking deposits .....	83,214	71,399
Deposits of small and medium size enterprises .....	8,331	8,145
Real estate market customers deposits .....	4,195	3,522
<b>Total Retail Banking Customers deposits .....</b>	<b>95,741</b>	<b>83,067</b>

Source: Report of the Management Board on the Activities of the Bank

## ***Products and Services for PI Customers***

### *Current Accounts*

The current account product is the most important product offered by the Bank to its PI Customers. The Bank's current account 'Superkonto' product provides access to several other products and services such as various credit lines, overdraft facilities, life and non-life insurance products, wire transfers, direct debits, standing orders and debit cards. As of 31 December 2009, the Bank held approximately 5.5 million Superkonto accounts and issued approximately 5.5 million debit cards in connection with such accounts.

The Bank also offers its PI Customers a bank savings account and an Inteligo internet savings account. As of 31 December 2009, the Bank's PI Customers had PLN 10.9 billion deposited on such accounts.

In addition, as of 31 December 2009, the PI Customers had approximately 249,800 foreign currency accounts in USD, EUR, GBP and CHF and approximately 496,200 Inteligo internet on-line current accounts.

### *Personal and Private Banking*

The Bank divides Personal and Private Banking clients into the following subgroups:

- "Personal Banking Clients" — individuals with an average monthly inflow into their accounts with the Group of at least PLN 5,000 but less than PLN 20,000 (based on end of month balance) or whose deposits in the accounts maintained with the Bank exceed PLN 150,000 but are less than PLN 500,000;
- "Private Banking Clients" — individuals with an average monthly income or inflow into their accounts with the Group of PLN 20,000 or more (based on end of month balance) or whose deposits in the accounts maintained with the Bank exceed PLN 500,000 but are less than PLN 1,000,000; and
- "Private Banking Customers" — individuals whose deposits in the accounts maintained with the Bank exceed PLN 1,000,000.

The Bank offers specialised products and services to such customer segment as part of its personal and private banking programme, which provides customers with the services of a personal adviser, separate VIP teller areas at selected branch locations, the ability to negotiate terms of certain services as well as negotiated rate term deposit products, loan products with flexible approval procedures and payment schedules, foreign exchange products and services, prestigious bank cards, and various insurance products. As of 31 December 2009 the Bank had about 500,000 Personal and Private Banking Clients.

### *Deposit Products*

The Bank offers its PI Customers PLN denominated deposit products (including current accounts such as the Superkonto current account and individual retirement accounts, Inteligo internet on-line banking accounts, a broad range of term deposits, saving accounts for housing purposes, and savings books in the form of current and term deposits), foreign currency denominated deposit products, and regular savings accounts in PLN, USD, EUR, CHF, and GBP.

### *Loan Products*

#### *Consumer loans*

The Bank offers consumer loans to its PI Customers in the form of overdraft facilities, including credit lines, cash loans and credit cards. Consumer loans amounted to 24.4% and 24.8% of the total loans to Retail Banking Customers as of 31 December 2009 and 2008, respectively.

The cash loan is the Bank's basic consumer loan product (offered under the brand names "Max Pożyczka Mini Rata" and "Szybki Serwis Kredytowy"). This is a high margin product sold to existing customers and to clients who have not dealt with the Bank before. Moreover, the Bank offers overdraft facilities on the current account.

#### *Payment cards*

The Bank offers its PI Customers a comprehensive range of payment card products, issued by the Bank in conjunction with Visa, MasterCard and Diners Club programmes. The Bank also offers a VISA Infinite and Master Card Platinum credit cards to its private banking customers. As of 31 December 2009, the Bank had issued approximately 1 million credit cards and approximately 87,200 charge cards for PI Customers.

#### *Housing mortgage loans*

The Bank holds a leading position in the Polish housing mortgage loan market and such loans amounted to 53.9% and 54.4% of total loans to Retail Banking Customers as of 31 December 2009 and 2008, respectively. The Bank offers mortgage loans in PLN and EUR primarily, but also in CHF, USD and GBP. As at 31 December 2009, mortgage loans denominated in foreign currencies constituted 43.5% of total mortgage loans. In the year ended 31 December 2009, only 1.1% of the newly sold mortgage loans were denominated in foreign currencies.

The Bank's primary home loan products consist of products offered under the brand Własny Kąt (consisting primarily of standard repayment mortgages for financing most types of home or apartment purchases, renovations or refurbishments) and government-sponsored loans under the programme *Rodzina na Swoim*, financed together with BGK, a state-owned special purpose bank specialising in public sector financing. These loans are secured by mortgages on the property being acquired or other property. Until such mortgages are perfected and registered in the mortgage register, loans may be secured by credit insurance, promissory notes, guarantees or other forms of security.

### **Products and Services for SME Customers**

#### *Current and Savings Accounts*

The Bank was one of the first Polish banks to introduce a line of products and services specially designed for SME clients. The package for the SME Customers includes, among others, current accounts, auxiliary and foreign currency negotiated term deposits, loan and credit facilities, bank cards (including the first credit card on the Polish market directed to SMEs) and other services. As of 31 December 2009, the Bank maintained approximately 386,100 SME accounts. In addition, SME customers had approximately 51,300 Inteligo accounts.

The Bank offers investment and working capital loans to its SME customers. Investment loans amounted to PLN 7.5 billion outstanding as of 31 December 2009 and PLN 5.8 billion as of 31 December 2008, whereas working capital loans amounted to PLN 3.8 billion outstanding as of 31 December 2009 and PLN 3.1 billion as of 31 December 2008.

The Bank also offers its SME customers products for the co-financing of investment projects which have qualified for EU structural assistance programs. The Bank has created the product line *Program Europejski* for those SMEs that are beneficiaries of the EU structural pre- and post-accession loan programmes. This SME product offering includes services such as project finance and bridge financing that are used to pre-finance redeemable investment expenses as well as guarantees and foreign exchange hedging instruments.

The Bank offers credit cards dedicated to its SME customers under the brands PKO Euro Biznes and debit cards PKO Biznes Partner. As of 31 December 2009, the Bank had issued approximately 260,000 of such cards.

### *Products and Services for Housing Sector Entities*

The Bank offers a comprehensive line of products and services tailored to the Housing Sector Entities. These products are directed at housing associations, their management bodies and to individual housing co-operative members as well as residential real estate developers and real estate agents.

The Bank's deposit products offered to this customer segment include current accounts, savings accounts, negotiated rate and overnight deposits, and e-banking. The Bank's main products dedicated especially to housing co-operatives include services under the brands *Pakiet Nasza Wspólnota*, *Nasza Mała Wspólnota*, and *Pakiet Wspólnota Premium*. The Bank's primary mortgage loan products for such clients are offered under the brand names *Nowy Dom* (new house) and *Nasz Remont* (our refurbishment). These products are intended for all types of residential property investments, including refurbishment.

### *Other Products and Services Offered to Retail Banking Customers*

In addition to the above described loan and deposit banking products and services, the Group offers a wide array of additional products and services to its Retail Banking Customers including brokerage services (offered by DM PKO BP), internet banking account together with related on-line transaction services (offered by Inteligo), investment products such as funds and investment programmes as well as individual retirement accounts (offered by PKO TFI), units of an open pension fund (managed by PKO BP BANKOWY PTE), and leasing services for SME customers as well as for selected PI Customers (offered by Bankowy Fundusz Leasingowy group). For a description, please see "*Other Areas of the Group's Business Activity*".

In addition, in cooperation with various leading Polish and international insurance companies such as PZU SA, PZU Życie SA, and STU Ergo Hestia SA, the Bank offers its Retail Banking Customers various insurance products, including property insurance, third-party liability insurance, loss of employment protection insurance and travel, health and life insurance. In addition, the Bank in cooperation with insurance companies uses insurance as collateral in connection with mortgage loans, investments and working capital loans granted to SME Customers. For the year ended 31 December 2009 the Bank generated net income from its loan insurance of PLN 234.4 million.

## **Corporate Banking**

### **Overview**

The Bank holds a strong position in the corporate banking segment in Poland. The Bank's corporate banking customers (the "**Corporate Banking Customers**") include companies and corporate entities with an annual turnover of at least PLN 5 million.

The Bank divides its Corporate Banking Customers into the following categories:

- mid-sized companies – companies with an annual turnover of at least PLN 5 million and not more than PLN 30 million;
- big companies – companies with an annual turnover of at least PLN 30 million and not more than PLN 200 million;
- strategic clients – companies with an annual turnover of more than PLN 200 million; and
- public sector entities – local government units ("LGUs"), central and local public administration and public institutions.

As of 31 December 2009, the Bank serviced a total of approximately 10,700 Corporate Banking Customers (of which mid-size companies, big companies, strategic clients and public sector customers held a 45.4%, 17.0%, 8.8% and 28.8% share, respectively), with total gross loans and advances to customers of PLN 29.5 billion and total deposits of PLN 26.1 billion.

The Bank's main corporate banking products and services include general lending products, transaction banking (including trade finance), treasury products as well as structured lending, project finance and custody services. Corporate clients also have access to all products offered by the Bank's subsidiaries, including asset-based lending products (such as leasing and factoring) and card services.

### **Strategy**

The development of corporate banking services constitutes one of the pillars of the Bank's strategy. Corporate banking will focus on large and medium sized Polish businesses and public sector clients. The objective of the development of the corporate banking services is to strengthen the Bank's position in corporate banking through growth of profitable sales, increase of market shares, client base development and an increase of the share of this segment in the Bank's profits. The Bank intends to implement a policy of directing the sales force to profitable products and customer segments and to improve the income statement structure by increasing the share of high-margin transaction products and an increase of fee commission income as compared to interest income. Moreover, the Bank plans to achieve the assumed ratio of return on invested capital, by including the costs of credit risk, liquidity and equity to its pricing policy. The Bank intends to use one of the leading corporate sales networks in Poland to attract new customers and to maintain and develop extensive relations with its existing customers. The high level of competence of advisors and product specialists, who operate in the local markets and comply with all the conditions established by the management, forms the basis for development of long-term customer relations. Moreover, the Bank plans to adhere to prudent risk management practices by selectively identifying customers, transaction and collateral structuring and increasing the quality of the loan procedures as well as the risk monitoring and evaluation procedures. Furthermore, the Bank intends to control costs with the aim of maximising resources and directing them to the segments characterised by the highest efficiency. Centralisation of the corporate customer servicing procedures is the basis for further growth of sales without involving any additional resources of the Bank.

### **Distribution**

The Bank conducts its corporate banking business primarily through a nationwide sales network comprised of 55 specialised corporate branches grouped in 13 regional corporate units. Relationship managers are based in the corporate branches. In addition, the Bank employs product specialists who work with relationship managers to develop sophisticated products and services specifically tailored to customer needs.

### **Loan, Deposit and Transactional Products**

The Bank offers its Corporate Banking Customers a comprehensive range of deposit products, including current and term deposit products, as well as loan products and transaction products.

The Bank's offer includes: (i) PLN loans, including overdraft loans, working capital loans and investment loans; and (ii) foreign currency loans, including working capital loans and investment loans.

The following table presents gross loans extended to the Corporate Banking Customers and the total value of Corporate Banking Customers deposits made with the Bank as of the dates indicated below.

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<i>(PLN million)</i>	
	<i>(unaudited)</i>	
Corporate loans.....	29,475	25,268
Corporate deposits .....	26,133	17,923

Source: Report of the Management Board on the Activities of the Bank

Entities financed from the State budget and local government entities constitute an important customer group for the Bank's loan products. The Bank offers several tailor-made products for such customers, such as loans to finance budgetary deficits, investment credit and bond issuance facilitation.

The Bank offers its Corporate Banking Customers products related to projects co-financed by the EU (under a separate programme *Program Europejski*), such as bridge financing, co-financing, guarantees and consulting services, which are individually tailored to meet the particular needs of the Bank's Corporate Banking Customers.

The Bank also offers syndicated loan products both as an arranger and as a syndicate member. As of 31 December 2009, the Bank participated in 55 syndicated loans and the Bank's total exposure related to outstanding syndicated loans was PLN 5,991 million.

As of 31 December 2009 loans and impaired advances that were granted to the Bank's Corporate Banking Customers amounted to PLN 3,932 million or 13.3% of the Bank's total corporate loan portfolio (see "*Description of the Group – Impairment of Credit Exposure*").

The Bank offers its Corporate Banking Customers a comprehensive range of deposit products, including current and term deposit products. The Bank's principal Corporate Banking Customer deposit products offer includes PLN and foreign currency denominated deposits (standard and negotiable), overnight automated deposits as well as structured investment products (including treasury bills and bonds, buy-sell back transactions).

In addition to various deposit and loan products, the Bank offers its Corporate Banking Customers modern transaction products, which can facilitate the effective management of cash flows and liquidity of companies, capital groups and state-budget entities and may result in operational efficiencies and cost-savings. These products assist the Corporate Banking Customers in connection with payables management, monitoring collection of receivables, cash collection, mass payments, trade finance and permit the Bank to decrease the costs of the customer transactions.

The transactional products of the Bank are divided into the following product categories:

- liquidity management (current account, cash pooling, consolidated account, escrow account, micro-accounts);
- payables and liquidity management products (domestic and foreign payments, mass collection products, direct debit);
- cash products (cash collection and withdrawals);
- card products (debit cards, charge cards, credit cards, pre-paid cards);
- electronic banking (internet banking, off-line banking systems); and
- trade finance products (bank guarantees, import and export letters of credit, documentary collection, discount products such as promissory notes and bills of exchange).

### ***Treasury Products***

In addition, the Bank's standard offer for Corporate Banking Customers includes mainly foreign exchange swaps, negotiated deposits, treasury bills, treasury bonds, municipal bonds, and cross-currency interest rate swaps ("**CIRS**") as well as foreign exchange transactions (swaps, foreign exchange spot or forward transactions). Treasury products are sold through the Bank's network of corporate branches or directly by a team of corporate dealers from the Bank's treasury department.

## ***Investment in Corporate and Municipal Debt Securities***

The Bank makes investments as part of its corporate banking operations. These investments are made as a result of underwriting issues of debt securities where the Bank serves as the lead arranger of commercial paper for the Bank's corporate clients. In 2009, the Bank arranged six corporate bond issues (of which four were underwritten) with an aggregate value of PLN 3.8 billion and 78 municipal bond issues with an aggregate value of PLN 1.2 billion. As of 31 December 2009, the total amount of corporate and municipal debt securities held by the Bank in connection with its underwriting activities was PLN 3,029.6 million.

## ***Other Corporate Banking Products and Services***

Other products and services offered by the Bank to its Corporate Banking Customers include financial services offered by companies in the Group and sold through the Bank's distribution network, including brokerage services, domestic and international settlement, insurance services and international services. For a description please see "*Other Areas of the Group's Business Activity*".

## **Investment Operations**

### ***Overview***

The treasury department is responsible for managing the Bank's surplus liquidity and the development of products (primarily hedging products) offered mostly to the Bank's Corporate Banking Customers.

### ***Strategy***

The Bank has conservatively managed its investment portfolio, thereby avoiding many of the pitfalls that have afflicted several financial institutions in the current economic downturn. A significant portion of the Bank's investment portfolio consists of Treasury securities denominated in PLN, but in order to hedge against foreign exchange risk, specifically with respect to mortgage loans denominated in foreign currency, the Bank enters into basis swaps (CIRS).

The Bank will continue to offer a wide range of financial products to its customers while adhering to a conservative trading strategy as far as investing in derivatives. The Bank primarily focuses on providing its customers with relatively simple foreign exchange derivatives and adheres to a strict risk policy. Throughout its other businesses, the Group will continue to provide specialised financial services, including factoring, investment funds, pension funds and electronic payment services, and to focus on new product development to meet its customers' requirements. Nevertheless, the Group expects that it will maintain its orientation towards core retail and corporate banking services for the foreseeable future.

### ***Operations***

As of 31 December 2009 the Bank's treasury asset portfolio amounted to PLN 23.8 billion, composed primarily of PLN-denominated treasury bonds and treasury bills.

The Bank enters into deposits on the interbank market and transactions in debt securities issued by the State Treasury or the NBP as part of its liquidity management. The Bank plays an important role on the PLN money market. Interest income derived from treasury assets and net income from hedging transactions involving these assets significantly contribute to the Bank's revenues.

The Bank manages its foreign exchange and interest rate risks by entering into derivative transactions, such as forward rate agreements, interest rate swaps and basis (CIRS) swaps.

Currently, the Bank engages in very limited trading activities on its own behalf. Within its trading activities the Bank cooperates with non-financial institutions.

The Bank's certification as a primary money market dealer allows it to participate directly in financial transactions carried out by the NBP. The Bank's certification as a primary government debt dealer allows it to participate directly in treasury bond and treasury bill auctions.

In addition, the Bank's standard offer for non-financial customers includes mostly foreign exchange spot or forward transactions, negotiated deposits, treasury bills, treasury bonds, municipal bonds, and derivative transactions such as swaps and various kinds of foreign exchange options. Treasury products are sold through the Bank's network of regional corporate branches or directly by a team of corporate dealers from the Bank's treasury department.

The following table shows details of the Bank's treasury asset portfolio as of 31 December 2009 and 2008.

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<i>(in PLN thousand)</i> <i>(audited)</i>	
Securities .....	22,535,184	14,799,155
Trading book <sup>1</sup> .....	2,212,955	1,496,147
Banking book <sup>2</sup> .....	20,322,229	13,303,008
Deposits with other banks .....	1,133,859	2,108,482
Receivables due from repurchase agreements .....	105,427	603,200

Source: 2009 Stand-Alone Financial Statements

1 – Trading assets

2 – Financial assets designated at fair value through profit and loss and investment securities available for sale.

The following table shows nominal values of the Bank's open positions in derivative instruments as of 31 December 2009 and 2008:

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<i>(in PLN thousand)</i> <i>(audited)</i>	
FRA (forward rate agreement) .....	37,118,000	67,390,000
IRS (interest rate swap).....	228,547,768	283,010,446
FX swaps (including CIRS) .....	51,160,563	49,447,477
FX futures and FX forwards .....	5,987,841	5,961,126
FX options .....	9,855,172	17,730,400
Other.....	2,906,151	220,443

Source: 2009 Stand-Alone Financial Statements.

### **Other Areas of the Group's Business Activity**

In addition to the products and services offered by the Bank's main banking operations (retail banking, corporate banking, investments), the Bank also offers additional products through its wholly or partly owned subsidiaries or other divisions of the Bank.

#### **Services Provided by the Bank's Divisions**

##### *Securities Brokerage House*

DM PKO BP is a securities brokerage house that operates as an internal division within the Bank. DM PKO BP is one of the largest brokers in Poland and has operated as a broker in the Polish capital

market since 1991. DM PKO BP offers its clients a wide range of brokerage services, including accepting and executing clients' orders, acting as a market-maker, conducting tender offers, offering financial instruments, investment advisory, asset management, financial analysis and corporate finance advisory services.

DM PKO BP's customer base consists of both retail and institutional investors (including foreign institutional investors). As of 31 December 2009, DM PKO BP held 78,366 investment accounts and 228,497 active registry accounts (dedicated to securities evidence which were bought on the primary market) with PLN 15.6 billion in equities, PLN 15.4 billion in bonds and other instruments. The value of clients' assets under management was PLN 251.63 million.

In 2009 DM PKO BP ranked seventh in the Polish market in equities trading with 6.56% of equities trading. DM PKO BP is one of the largest retail bond trading houses in Poland, trading 44.70% of all retail bonds in the twelve months ending 31 December 2009. DM PKO BP holds the leading market position in sale of retail treasury bonds and sold 38,182,194 bonds (total nominal value – PLN 3,818,219,400) to customers during the year ended 31 December 2009. It also offers investment units of 138 investment funds managed by 10 investment fund managers, including PKO TFI. In addition to equities and retail bonds, DM PKO BP also trades derivatives and held a 3.67% index futures and 12.76% index options local market share by volume in 2009.

#### *Domestic and International Settlement*

The Bank provides international settlement services including the current funding of the Bank's and its clients' needs, servicing foreign trade transactions, foreign exchange operations and activities in the capital markets. The Bank maintains accounts in foreign currencies with a number of its main correspondents, (28 nostro accounts in 13 currencies) and provides 41 loro accounts, predominantly in PLN, for its correspondents. The development of co-operation in this field was influenced by the liberalisation of Polish foreign exchange regulations, enabling non-residents to access PLN as a settlement currency.

#### **Services Rendered by the Bank's Subsidiaries**

The contribution from the Bank's subsidiaries (before consolidation adjustments) to the consolidated net profit attributable to the parent company of the Group was (5.5%) for the year ended 31 December 2009.

#### *KREDOBANK S.A. – banking services in Ukraine*

In August 2004, the Bank entered the Ukrainian banking market, attracted by its high growth potential and the low saturation of banking products and services. The Bank acquired an interest in KREDOBANK S.A., a bank registered and operating in Ukraine. Following purchases of shares from minority shareholders in 2005 and the European Bank for Reconstruction and Development in 2007, and as a result of share capital increases, the Bank currently owns 99.49% of the share capital of KREDOBANK.

KREDOBANK is a commercial bank providing standard banking services for both individual and corporate clients. As of 31 December 2009, KREDOBANK's distribution network comprised of 20 branches and 142 outlets in 22 of the 24 regions of Ukraine and in the Autonomous Republic of Crimea. KREDOBANK's scope of operations in Ukraine includes deposit taking, lending activity, servicing bank accounts, foreign exchange transactions and offering securities brokerage services. According to data published by the NBU, KREDOBANK's market share (calculated as a percentage of the total net assets of the banking sector of Ukraine) was 0.63% as at 31 December 2009.

While GDP growth in Ukraine averaged almost 7% per annum between 2000 and 2008 (based on figures from Bloomberg), the economy experienced a deep recession in 2009, with negative annual real GDP growth rate of 15.1%. This was a result of domestic financial instability, a sharp drop in external demand and prices for steel, Ukraine's major export. Domestic banks continue to be

adversely impacted by the shortage of liquidity, reduced inflows of foreign capital, declines in household earnings and the depreciation of the Ukrainian currency against key currencies.

In November 2008 the IMF granted a stand-by loan in the amount of USD 16.5 billion to help stabilise the Ukrainian financial system and to facilitate the implementation of monetary and exchange rate policy shifts, banking recapitalisation and fiscal and income policy adjustments. As part of the agreement with the IMF, the Ukrainian government is required to recapitalise the Ukrainian banks. In February 2009, the NBU and KREDOBANK entered into an agreement creating a performance improvement plan to increase the profitability of KREDOBANK and to improve its financial condition. In April 2009 the NBU made an initial determination that KREDOBANK should be recapitalised through a regulatory capital increase of UAH 1,378.5 million (equivalent to PLN 490.5 million, based on the average rate of exchange of the NBP as of 31 December 2009). In June 2009 the Bank subscribed for 102,384,202,391 shares in KREDOBANK. The price for the acquired shares, including additional costs, amounted to PLN 430.6 million. In June 2009 KREDOBANK repaid PKO BP subordinated loans of USD 38 million (PLN 122.6 million based on the average rate of exchange of the NBP of 24 June 2009). In June 2009 the NBU requested a further increase of regulatory capital of UAH 647 million (PLN 230.2 million based on the average rate of exchange of the NBP as of 31 December 2009), even though KREDOBANK's capital adequacy ratio of 16.20% as at 30 June 2009 was higher than the NBU's regulatory minimum of 10%. Finally, in November 2009, the NBU and KREDOBANK signed an amended agreement, which required KREDOBANK to take actions to guarantee its stable financial condition. It also included the requirement to increase the effectiveness and profitability of KREDOBANK. According to the agreement, KREDOBANK was required to increase its regulatory capital in amounts of:

- USD 35 million (PLN 99.8 million at the mid exchange rate of the NBP as of 31 December 2009) through subordinated loans;
- UAH 368 million (PLN 130.9 million at the mid exchange rate of the NBP as of 31 December 2009) through an increase in the share capital of KREDOBANK.

In addition, the agreement imposes certain obligations regarding KREDOBANK's operations, including the reduction of its long positions in foreign currencies, the designation of its entire profits to increase its capital, as well as the revision of its internal rules governing the granting of new loans and debt collection.

In the fourth quarter of 2009 and in the first quarter of 2010, the regulatory capital of KREDOBANK was increased by USD 35 million of subordinated loans extended by the Bank (PLN 99.8 million at the mid exchange rate of the NBP as at 31 December 2009) and by UAH 368.0 million advanced payment for subscribing in KREDOBANK's share issue (PLN 130.9 million at the mid exchange rate of the NBP as of 31 December 2009), the registration of which is expected in mid June 2010.

As of 31 December 2009, the total equity of KREDOBANK amounted to UAH 652 million (PLN 232 million) – ranking 36th in the Ukrainian banking sector, based on the NBU's data. KREDOBANK reported a net loss of UAH 488 million (PLN 190 million) for the year ended 31 December 2009. The net loss was caused mainly by an increase in impairment allowances of loans granted by KREDOBANK. The loan portfolio (gross) of KREDOBANK was UAH 4,937 million (PLN 1,756 million). The loan coverage ratio (impairment allowances on loans and advances to customers to the gross loans and advances to customers) amounted to 25.67% which is above the Ukrainian banking sector average of 14.76% (based on NBU data). The coverage ratio of loans valued using the individual and portfolio method (total impairment allowances to the sum of receivables valued using the individual and portfolio method) was 31.56%. As of 31 December 2009, the total amounts due to customers of KREDOBANK amounted to UAH 3,604 million (PLN 1,282 million). KREDOBANK's capital adequacy ratio was 16.96% as of 31 December 2009 and was higher than the NBU's regulatory minimum of 10%.

Under current challenging market conditions, KREDOBANK is focused on obtaining deposits to ensure future growth and to finance lending activity, while restricting lending activity in order to align

the level of loans with deposits and to minimise liquidity constraints. In order to minimise operational and credit risk at KREDOBANK, the Bank has been implementing conservative risk management policies at KREDOBANK. The Bank designates the member of the management board of KREDOBANK responsible for credit risk management and also approves all decisions regarding the granting of loans in excess of USD 2.5 million through representatives at the supervisory board level of KREDOBANK (this threshold was decreased to the current level from the level of USD 5 million that applied before the commencement of the economic crisis).

Currently the strategy of the Bank's management regarding KREDOBANK is to restructure the business to minimise the negative effects of the current crisis. It is envisaged that the Bank will review the long-term strategy once the current phase of the restructuring is completed.

*PKO Towarzystwo Funduszy Inwestycyjnych S.A. – asset management company*

PKO TFI is an asset management company established in 1997. As of 31 December 2009, PKO TFI was the fifth largest asset management company in Poland, managing 13 investment funds with total assets of PLN 8,406 million and had a share of the Polish asset management market of approximately 9.0% based on publicly available financial reports of asset management companies. The Bank provides PKO TFI with certain administrative services. These include the use of the Bank's extensive branch and distribution network to sell participation units in PKO TFI funds, the execution by the Bank's treasury department of PKO TFI's fixed-income transactions and the execution by DM PKO BP of PKO TFI's transactions on the WSE.

*PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne - open pension fund management company*

PKO BP BANKOWY PTE manages the open pension fund PKO BP Bankowy OFE. PKO BP BANKOWY PTE was jointly founded in 1998. As of 31 December 2009, PKO BP BANKOWY PTE held assets of a total of PLN 4.9 billion under management and ranked tenth on the Polish market in terms of the total assets under management (based on data provided by the PFSA). Its Management intends to focus on increasing PKO BP BANKOWY PTE's current market position, its profitability and the Bank's return on investment.

*Bankowy Fundusz Leasingowy S.A. – leasing services*

Bankowy Fundusz Leasingowy S.A. was established in 1999. Bankowy Fundusz Leasingowy and its subsidiaries (Bankowy Leasing Sp z o.o. and BFL Nieruchomosci Sp z o.o.) provide operational and financial leasing of tangible and real estate assets. At the end of 2009, the Bankowy Fundusz Leasingowy group held a market share of approximately 4.3% by value of assets leased in 2009 (based on data provided by the Polish Leasing Association).

*Bankowe Towarzystwo Kapitałowe S.A. – internal support services*

In 2004 the Bank acquired all of shares in Dom Maklerski Broker S.A., a brokerage house. Following the transfer of clients to DM PKO BP, the name of the company was changed to Bankowe Towarzystwo Kapitałowe S.A. with the aim to expand venture capital activities. In 2008 the company changed its business profile and currently supports entities of the Group, rendering payroll and accounting services. The company owns PKO BP Faktoring S.A., which in the second half of 2009 started operational activity by offering factoring services.

*Inteligo Financial Services S.A. – on-line banking service platform*

Inteligo Financial Services S.A. was established in 2000 by Bankgesellschaft Berlin AG and was wholly acquired by the Bank in 2002. Inteligo provides the Bank's customers that have an Inteligo account with on-line banking services. In addition to servicing accounts, Inteligo also assists the Bank with the development and expansion of certain long-term strategic initiatives, including the

establishment of an on-line banking platform for all of the Bank's customers, the development and establishment of a Bank-wide call centre as an additional distribution channel and the development of a remote client identification and authorisation system. Inteligo provides on-line banking technology for KREDOBANK and Bank Pocztowy S.A. Since 2003 the Bank has started to use the Inteligo on-line banking platform for the sale and distribution of third party products e.g. prepaid telecommunication services of GSM operators as well as certain insurance products of the PZU Group. Since December 2008, the company owns 80.33% of PKO BP Finat Sp. z o.o., whose core business activity is focused on providing settlement services as a clearing agent for both pension and investment funds. The Bank intends to continue to utilise Inteligo's technological and IT solutions to augment its banking operations.

#### *Centrum Elektronicznych Usług Płatniczych eService S.A.– card payment settlement services*

CEUP eService was founded in 1999 and became a wholly owned subsidiary of the Bank in 2001. CEUP eService provides card payment settlement services. CEUP eService is expanding the network of merchants that accept credit and charge cards issued by various banks and manages the Bank's point of sale ("POS") terminal network, the data flow in connection with the settlement of credit and payment card businesses and certain cash flow operations in connection with POS terminal network stations. CEUP eService serviced 148 million POS transactions in 2009 and held a significant market share of approximately 21% in terms of POS transactions in Poland (based on data provided by the company). The objective of the Bank's investment in CEUP eService is to expand the growth of the Bank's credit and payment card market as well as to develop the Bank's and CEUP eService's business relationships with its merchant network.

#### *PKO BP Inwestycje Sp. z o.o. – property development*

PKO BP Inwestycje was founded in 1989 and became a wholly owned subsidiary of the Bank in 1994. PKO BP Inwestycje specialises in property development projects managing property development special purpose vehicles operating in Poland and in Ukraine. As at 31 December 2009 the following real estate property development projects were under construction by subsidiary companies of PKO BP Inwestycje: residential area development "Nowy Wilanów" in Warsaw, Poland; housing estate "Neptun Park" in Gdańsk Jelitkowo, Poland and a housing estate "Kuźmińska" in Kiev, Ukraine. The company is in the early stages of development of the following house investments projects: "Sarnia Dolina" in Janków next to Gdańsk, Poland and "Rezydencja Flotylla" in Międzyzdroje, Poland. PKO BP Inwestycje completed the "Marina Mokotów" project in Warsaw in 2007.

For a description of other subsidiaries of the Bank, please see "*General Information on the Bank – The Bank's Principal Subsidiaries*".

## Ratings

The Bank has been assigned ratings by Fitch (on 18 December 1996, unsolicited), Moody's Investor's Service (on 14 January 2003, 24 February 2007 and 18 June 2009), Standard & Poor's (on 25 August 2004, unsolicited) and Capital Intelligence (on 30 November 2000, in December 2007 and in January 2010, unsolicited) as set forth in the table below.

Category	Fitch	Moody's Investors Service	Standard & Poor's	Capital Intelligence
Long-term assessment of liabilities and deposits (foreign currencies/domestic currency) .....		A2/A2 with a stable outlook <sup>(1)</sup>	/BBBpi <sup>(2)</sup>	A- <sup>(3)</sup>
Short-term assessment of liabilities and deposits (foreign currencies/domestic currency) .....		Prime- 1/Prime- 1 with a stable outlook <sup>(4)</sup>		A2 <sup>(5)</sup>
Support .....	2 <sup>(6)</sup>			1 <sup>(7)</sup>
Financial Strength.....		C- with a negative outlook <sup>(8)</sup>		BBB+ <sup>(9)</sup>
Prospect of maintaining the assessment .....				Stable <sup>(10)</sup>

- (1) Liabilities rated A are considered upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers 1,2, and 3 to each generic rating classification from Aa through Caa. The modifier 2 indicates a mid-range ranking of that generic rating category. A Moody's rating outlook is an opinion regarding the likely direction of a rating over the medium term.
- (2) 'BBB'-rated liabilities exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment. Ratings with a 'pi' subscript are based on an analysis of an issuer's published financial information, as well as additional information in the public domain. They do not, however, reflect in-depth meetings with an issuer's management and are therefore based on less comprehensive information than ratings without a 'pi' subscript. Ratings with a 'pi' subscript are reviewed annually based on a new year's financial statements, but may be reviewed on an interim basis if a major event occurs that may affect the issuer's credit quality.
- (3) High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions. Capital Intelligence appends "+" and "-" signs to foreign and local currency long term rating in the categories from "AA" to "C" to indicate that the strength of a particular entity is, respectively, slightly greater or less than that of similarly rated peers.
- (4) Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
- (5) Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.
- (6) Bank Support Rating of '2' denotes a bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.
- (7) The likelihood of support is very high. The ability and willingness of potential supporters to provide sufficient and timely support is very strong.
- (8) Banks rated C possess adequate intrinsic financial strength. Typically, these will be institutions with more limited but still valuable business franchises. These banks will display either acceptable financial fundamentals with a predictable and stable operating environment, or good financial fundamentals within a less predictable and stable operating environment. A '-' modifier is appended to distinguish those banks that fall in intermediate categories.
- (9) Basically sound overall; slight weaknesses in financial or other factors could be remedied fairly easily. May be limited by unstable operating environment. Capital Intelligence appends '+' and '-' signs to foreign and local currency long term ratings in the categories from "AA" to "C" to indicate that the strength of a particular entity is, respectively, slightly greater or less than that of similarly rated peers.
- (10) Outlook – expectations of improvement, no change or deterioration in a bank or corporate rating over the 12 months following its publication are denoted Positive, Stable or Negative. The time horizon for a sovereign rating outlook is longer, at 12-24 months.

## **Intellectual Property**

The Group uses a number of trademarks in its activities. As at the date of this Base Prospectus, the Group has registered rights to 79 trademarks, out of which the Bank has registered rights to 33 trademarks. The Bank has filed for the registration of an additional 29 trademarks with the Patent Office, and registration is pending for an additional 4 trademarks at the request of other entities from the Group. The Bank has filed for registration of one trademark abroad under national procedure. It also applied for a registered community design (RCD) in the Office of Harmonization for the Internal Market, OHIM, in respect of one font.

## **Licences**

### ***Licence for the Bank to use the Inteligo logo***

Under an agreement concluded with Inteligo the Bank was granted a licence for using the logo of Inteligo for offering the product of Konto Inteligo. For using the logo of Inteligo the Bank is required to pay a gross annual licence fee of PLN 1,830,000. If the agreement is terminated, the Bank will have the right of first refusal with respect to the Inteligo trademark and to other economic rights under copyright and industrial property rights owned by Inteligo.

The above-described licence has material importance for the activities carried out by the Group in respect of PKO's operation of the Inteligo account.

As at the date of this Base Prospectus, the Group does not depend on any patents or new technological processes to a degree that may be considered as significant to its business or profitability.

## **Website Domains**

The Group uses 121 registered internet domains, including the www.pkobp.pl domain.

## **Information Technology**

In 2008 the Bank completed the development and implementation of a centralised, integrated information technology system (the "**Integrated IT System**") throughout its distribution network. Due to its scale and complexity, the Integrated IT System project has been one of the largest information technology projects ever carried out in Poland. The new IT system allows for a holistic view of client information and thus effectively strengthens the Group's distribution activities. In addition, the new system further improves the risk management capabilities of the Bank.

The Integrated IT System is designed to ensure that IT development and maintenance services are closely coordinated throughout the Bank's extensive distribution network. The Integrated IT System has been uniquely tailored to the specific scope and nature of the Bank's business. The Bank employs more than 150 employees to support and maintain its Integrated IT System.

The Bank's IT strategy is designed to support the overall strategy of the Bank, which in practice means supporting the distribution of the Bank's products and services across its distribution network as well as developing a scalable and flexible infrastructure to support the Bank's current and future operations.

The Integrated IT System has been designed to consolidate core banking systems within the Group and to deliver solutions to the customer-facing operations of the Bank. The Bank continuously develops its IT systems and implements IT solutions to ensure the consistent and efficient execution of the Bank's business processes. This allows the Bank to continue to provide the highest level of service to its retail and corporate clients.

The Bank's IT strategy also focuses on providing robust and consistent processing of investment transactions, securing the necessary scalability for future business growth and enabling large scale

production of standardised products together with tailored, structured customer solutions. Efficient execution of these strategies is expected to reduce operational risk and to support more cost-efficient processing. In addition, the Bank continually assesses its internal credit risk reporting systems to determine if improvements and enhancements are required to maintain compliance with Basel II.

The Bank uses over 200 applications. Compared to other financial institutions of similar scale, the Bank has a relatively simple application environment which allows for effective management of operating costs and facilitates future development. All those systems have been specially tailored to the specific needs of the Bank's business. The Bank has concluded standard agreements with service providers for all IT systems which are material for its operations, under which it was granted licences for using such systems. Furthermore, the Bank is granted support services in case of system failure and the opportunity to receive updates and upgrades.

### **Material Contracts**

The Bank believes that the contracts listed below, other than the agreements concluded in the ordinary course of business, are material to the Group given their significant influence on the key areas of the Group operations and their financing.

### ***Financing Agreements***

#### *CHF 950,000,000 credit facility for the Bank*

On 27 July 2007, the Bank, as the borrower, concluded a credit agreement with The Bank of Tokyo – Mitsubishi UFJ, Ltd., BNP Paribas, Citibank, N.A. and Standard Bank Plc., as the arrangers, and Bank Handlowy w Warszawie S.A., as the facility agent, based on which the Bank was granted a term loan in the amount of CHF 950,000,000 for general funding purposes. Under the agreement, the Bank is required to pay interest at the rate of LIBOR plus 0.135% per annum. The final maturity date is the fifth anniversary of the date of the agreement subject to the extension option provided for in the agreement. As at 31 December 2009 the outstanding amount under this facility was CHF 950,000,000.

#### *EUR 100,000,000 finance contract between the Bank and the European Investment Bank*

On 29 April 2004 the Bank and the European Investment Bank ("**EIB**") entered into a finance contract, based on which EIB made available to the Bank a credit facility of up to EUR 100,000,000 for the purpose of financing through loans small and medium-sized projects related to the environment and infrastructure, and development of knowledge-based economy, energy, health, education and industry projects. The terms of disbursement of each tranche, including, in particular, the amount of the loan, the disbursement date, the interest rate, the currency and the repayment period proposed by the Bank in a disbursement request are subject to EIB's consent in a disbursement notice. As at 31 December 2009 the balance of the credit facility is PLN 376,868,322.27.

#### *EUR 150,000,000 finance contract between the Bank and the European Investment Bank*

On 31 July 2009 the Bank and the EIB entered into a finance contract, based on which EIB made available to the Bank a credit facility of EUR 150,000,000 for the purpose of financing through loans small and medium-sized projects promoted by SMEs or public sector entities in the field of environmental protection, energy savings, infrastructure (including health and education), industry, creative and cultural industries, services or tourism in Poland. The terms of disbursement of each tranche, including, in particular, the amount of the loan, the disbursement date, the interest rate, the currency and the repayment period are to be proposed by the Bank in a disbursement request and subject to acceptance by EIB in a disbursement notice. As at 31 December 2009 the balance of the credit facility is CHF 227,250,000.

*EUR 100,000,000 framework loan agreement between the Bank and the Council of Europe Development Bank*

On 31 July 2008 the Bank and the Council of Europe Development Bank (“CEB”) entered into a framework loan agreement, based on which CEB made available to the Bank a loan of EUR 100,000,000 for the partial financing of investment projects aimed at job creation and preservation in small and medium enterprises in Poland. For each tranche, the terms of disbursement, including, in particular, the amount of the loan, the disbursement date, the interest rate and the repayment period are to be determined jointly by the Bank and CEB and specified in each disbursement agreement. No drawings can be made after 30 June 2010. As at 31 December 2009 the balance of the loan is CHF 75,600,000.00 and EUR 49,814,126.00

The above described loan agreements contain clauses typical to facility agreements, including (i) a *pari passu* clause (the obligation of the borrower to ensure at least equal treatment to the liabilities under the loan agreement compared to any of its other, existing or future, obligations); (ii) a negative pledge (a warranty of the borrower not to establish any encumbrances on its existing or future assets which could hinder satisfaction of the lender’s claims); (iii) a change of control clause authorising the lender to suspend payment of any loan tranches, to terminate the loan agreement or to accelerate the loan in case of change of the shareholding structure of the borrower which could materially impact the performance of the obligations under the loan agreement; and (iv) a loss of rating clause authorising the lender to demand additional security or to terminate and accelerate the loan if the long-term credit rating for the borrower assigned by recognised rating agencies decreased below a certain level, provided that such decrease may adversely impact the performance of the borrower under the loan agreement.

***Information Technology Agreements***

*Agreement for the delivery and implementation of the Integrated IT System*

On 18 August 2003 the Bank entered into an agreement for delivery and implementation of the Integrated IT System with Accenture Sp. z o.o., Alnova Technologies Corporation S.L. and Softbank S.A. (presently Asseco Poland S.A.).

The agreement concerns the development, delivery and implementation of the Integrated IT System at the Bank and the granting of a licence for the software that runs the Integrated IT System as well as certain other additional services, including in particular maintenance services. Moreover, under the agreement the Bank acquired complete author’s economic rights to the Integrated IT System.

The implementation of the Integrated IT System involved several stages and its main stage was completed in 2008. The Bank plans to continue to develop the software for the Integrated IT System under a new contract for delivery of subsequent versions of the Integrated IT System with the existing supplier.

The fee payable by the Bank for the implementation of the Integrated IT System amounted to USD 186.2 million and included all the amounts due to the supplier with respect to the transfer to the Bank of any author’s economic rights to the Integrated IT System. For a licence for the software that runs the Integrated IT System the Bank was required to pay a fee of USD 13.5 million, while the annual fee for the maintenance services amounts to approximately USD 917,000.

The agreement provides for contractual penalties payable to each of the parties. The full and complete liability for damages resulting from failed or improper performance of the agreement is restricted to any actually incurred loss and under no circumstances can it exceed (including the contractual penalties) the sum of USD 60,000,000 or 100% of annual service and maintenance fees in the case of maintenance services.

The agreement was entered into for an unspecified term.

## **Material Issues of Debt Securities**

### *Issue of subordinated bonds by the Bank*

On 30 October 2007 the Bank issued 16,007 subordinated bonds of PLN 100,000 nominal value each. The issue price of each bond equalled its nominal value. The aggregate nominal value of the issue was PLN 1,600.7 million. The final redemption date of the bonds, at the nominal value thereof, is 30 October 2017 with the Bank's option of early redemption on 30 October 2012. The subordinated bonds were issued in order to recognise the proceeds from the issue (subordinated liabilities), and as a consequence, to increase the capital base of the Bank.

In accordance with the terms and conditions of the issue of subordinated bonds, the bonds do not have the form of a document and are registered in the records kept by the Bank. The bonds are unsecured and bear variable interest based on the 6-month WIBOR rate plus 100 basis points. However, in the case of interest paid out in the interest periods after 30 October 2012 (the early redemption date) and unless the Bank fails to use the early redemption option, the interest will be increased by 25 basis points, however in each case the interest rate cannot exceed the interest rate of the Lombard loan announced by the NBP multiplied by four. Interest on the bonds is payable semi-annually until the date of their redemption.

### *Issue of bonds by Bankowy Fundusz Leasingowy*

On 14 December 2006 Bankowy Fundusz Leasingowy entered into an agreement with the Bank (as the arranger) for organising, carrying out and arranging a bond issue programme, which was subsequently amended by annex No. 1 dated 28 March 2008, annex No. 2 dated 1 September 2008, and annex No. 3 dated 15 December 2008. Within the framework of the programme Bankowy Fundusz Leasingowy agreed to issue, in private offerings by 30 December 2011, bonds in several series and the total value of the programme of up to PLN 600.0 million. The bonds have been issued as bearer, dematerialised and unsecured bonds. The programme provides that the bonds issued in one series must have a total nominal value of not less than PLN 10,000,000.00. As at 31 December 2009, the Bank has issued bonds with the total nominal value of PLN 540,000,000. Pursuant to the programme, Bankowy Fundusz Leasingowy undertook to redeem all of the issued bonds at their nominal value by 30 December 2011. The Bank agreed to underwrite each series of the bonds not subscribed for by the bondholders. The receivables of the Bank towards Bankowy Fundusz Leasingowy resulting from the bonds have been secured by a bank enforcement title up to PLN 600,000,000.00 issued by Bankowy Fundusz Leasingowy in favour of the Bank. The agreement governing the programme provides for certain standard events of default following the occurrence of which the Bank may terminate the agreement with immediate effect and is waived of its obligation to underwrite any portion of the bonds in issue.

## **Legal, Administrative and Arbitration Proceedings**

The Group in the ordinary course of business is routinely involved in legal proceedings concerning its operational activities. To the Bank's best knowledge, as at 31 December 2009, the Bank was a party to 22 court proceedings (including labour law litigation, enforcement proceedings and commercial suits) each for a disputed amount of at least PLN 2 million. Seven of those proceedings were instituted by the Bank as the plaintiff/claimant, and in 15 of the proceedings the Bank is either a defendant or a participant. The above proceedings include mostly civil law cases, including commercial and enforcement proceedings, as well as matters regarding bankruptcy law or labour law. According to the Bank's best knowledge, as at 31 December 2009, the total value of claims subject to court dispute where the Bank acts as the defendant amounted to PLN 149,918,552.50, while the total value of claims brought by the Bank as the plaintiff had the value of PLN 71,114,419.00. As at 31 December 2009 the total value of provisions created against any litigation amounted to PLN 6.8 million. As at 31 December 2009 the Bank is party to four proceedings before the Supreme Administrative Court. The said proceedings before administrative courts have been brought by the Bank and relate to the Bank's complaints against interpretation of tax law. In January 2010 two of four of the above-

mentioned proceedings before the Supreme Administrative Court were decided pursuant to the Bank's complaints.

According to the information held by the Bank as at the date of this Base Prospectus, within the 12 months preceding the date of this Base Prospectus there were no administrative proceedings, proceedings before administrative courts or civil, criminal or arbitration proceedings pending or instituted against the Group which could significantly affect or have recently affected the financial standing or operations of the Group. To the best knowledge of the Bank, there are no legal, administrative proceedings, proceedings before administrative courts, arbitration or criminal proceedings pending or threatened which could significantly affect the financial standing or operational activity of the Group other than those described in this section.

***Proceedings before the President of the Antimonopoly Office or the Antimonopoly Court for Infringement of Mutual Consumer Rights***

*Proceedings related to applying "interchange" fees for transactions made using Visa and Europay/Eurocard/Mastercard Cards*

The Bank is a party to the proceedings initiated by the President of the Antimonopoly Office against operators of Visa and Europay systems and banks issuing Visa and Europay/Eurocard/Mastercard credit cards. The claims under these proceedings relate to the practices restricting competition on the market of banking card payments in Poland and consist of alleged participation in an illegal price fixing arrangement under which parties to the arrangement fixed interchange fees on transactions using Visa and Europay/Eurocard/Mastercard cards as well as limited the access of external entities to this market. On 29 December 2006, the Antimonopoly Office decided that the practices consisting of the illegal price fixing arrangement under which the parties to the arrangement fixed "interchange" fees restricted market competition and consequently ordered the banks to cease these practices, and imposed a fine, *inter alia*, on the Bank in the amount of PLN 16.6 million against which the Bank established a reserve at the full value thereof. On 19 January 2007 the Bank appealed the decision of the President of the Antimonopoly Office to the Regional Court in Warsaw – the Court of Competition and Consumer Protection (the "**Antimonopoly Court**"). On 21 January 2008 the Antimonopoly Court suspended the execution of the challenged decision of the President of the Antimonopoly Office regarding the price fixing arrangement under which the parties to the arrangement allegedly fixed "interchange" fees. In its decision dated 12 November 2008, the Antimonopoly Court found that the banks involved in the proceedings, including the Bank, had not participated in an illegal price fixing arrangement. On 12 January 2009, the President of the Antimonopoly Office appealed this decision. The Bank replied to the appeal on 13 February 2009. On 22 April 2010 the Appeal Court in Warsaw overturned the Antimonopoly Court's judgment.

*Proceedings involving advertising campaign of "Max Lokata" term deposit*

On 12 December 2008, following the completion of the antimonopoly proceedings, the President of the Antimonopoly Office found the advertising campaign of the "Max Lokata" term deposit to be a practice infringing mutual consumer rights. The advertisement allegedly misled customers by, *inter alia*, not providing information about the date from which interest accrued, failing to make further references to advertising materials which would identify the need to seek additional information on restrictions involving the aforementioned product, and by suggesting to the recipients within the advertising campaign that the offered product did not include any additional factors affecting its final form and content other than those included in advertisement. Furthermore, in its decision dated 12 December 2008 the President of the Antimonopoly Office ordered the Bank to cease these practices as of 25 February 2009 and imposed on the Bank a fine of approx. PLN 5.7 million. On 2 January 2009 the Bank appealed against this decision of the President of the Antimonopoly Office to the Antimonopoly Court. Subsequently, on 25 March 2009 the President of the Antimonopoly Office responded to the appeal to which the Bank replied on 22 April 2009. The Antimonopoly Court designated a date for the hearing for 27 January 2010. The hearings were held on 27 January and 24 February 2010. On 10 March 2010 the Antimonopoly Court dismissed the appeal of the Bank and

upheld the decision of the President of the Antimonopoly Office. The Bank filed a motion for the formal delivery of the Antimonopoly Court's judgment with its grounds and received such on 19 April 2010.

## **Risk Management**

The Bank's operations are subject to various risks, including but not limited to credit risk, market risk and liquidity risk, operational risk and business risk. Controlling the impact of these risks on the operations of the Group is one of the most important objectives in the management of the Bank and the Group. The risk level is an important factor of the planning process.

Risk management at the Bank is based on the following principles:

- the maintenance of full organisational separation of the risk and debt collection functions from the business functions of the Bank;
- the integration of risk management with planning and controlling processes;
- the risk and debt collection area provides ongoing support for meeting business objectives while keeping risk at an acceptable level;
- ongoing control of risk levels; and
- adjustment of the risk management model on an ongoing basis to reflect new risk factors and risk sources.

The Bank's risk management process consists of the following steps:

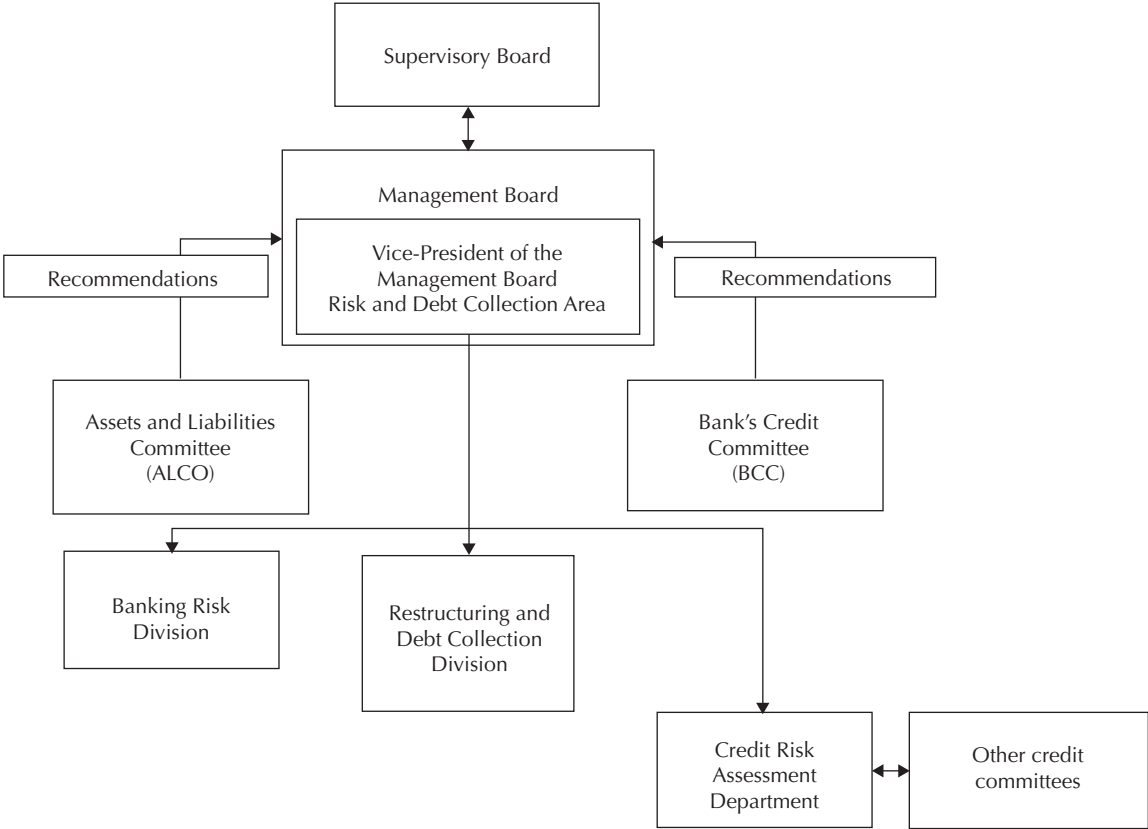
- risk identification by analyzing the sources of existing and potential risks which can result from the current or planned activities of the Bank;
- risk measurement;
- systemic risk management carried out by planning future risk mitigation measures, the issuance of recommendations and guidelines and the implementation of procedures and support tools;
- monitoring the level of risk incurred by the Bank based on the adopted methodologies; and
- risk reporting through the provision of periodic reports to the Management Board on the scale of risk exposure and undertaken activities.

The risk management process is carried out in the environment that comprises:

- the application of methods and methodologies from the system of internal regulations;
- the Bank's IT environment, which permits the flow of information required for proper risk assessment and control (including central IT systems that support risk assessment and central databases);
- and internal organisation, which includes operational units, their tasks, scope of responsibilities and respective relations.

### Risk Management Organisation

The chart below illustrates the structure of the principal elements of the Bank’s risk management organisation.



The risk management process is supervised by the Supervisory Board. The Supervisory Board receives periodic information on the Bank’s risk profile and the most important activities undertaken within risk management.

The Management Board is responsible for strategic risk management, including the supervision and monitoring of the activities taken by the Bank in the area of risk management. The Management Board approves the most important decisions which affect the Bank’s risk profile and the internal regulations that determine the risk management system. Operational risk management is conducted by organisational units of the Bank (within the scope of their authorisations), which are grouped in the Banking Risk Division, the Restructuring and Debt Collection Division and the Credit Risk Assessment Department.

The Banking Risk Division is responsible for the preparation and implementation of systemic solutions with respect to the management of credit, operational, compliance, market (including liquidity) and strategic risks as well as capital adequacy management. The most important tasks of this Division include:

- identification of risk factors and the sources of risk;
- risk measurement and periodical monitoring and reporting with regard to the risk level;
- measurement and assessment of capital adequacy;
- taking decisions and making recommendations to the Assets and Liabilities Committee and the Management Board with regard to acceptable risk levels;
- the creation of internal provisions with regard to risk and capital adequacy management; and

- the development of IT systems which support risk and capital adequacy management.

The Restructuring and Debt Collection Division is responsible for ensuring the effective and efficient collection and restructuring of non-performing loans. The most important tasks of this Division include:

- efficient collection and recovery of non-performing loans and improvement of the effectiveness of such actions;
- effective operation of early monitoring of delays in the repayment of retail loans through the use of telephone calls and other standard means of communication as well as direct visits to the clients;
- management of the sale of non-performing loans and the outsourcing of certain tasks, as well as effective management of property seized as a result of the Bank's enforced collection actions.

The Credit Risk Assessment Department is responsible for the assessment and verification of the level of credit risk associated with particular credit exposure, which requires special attention due to the exposure scale or risk level.

Market risk management and portfolio credit risk management in the Bank are supported by the following committees:

- the Assets and Liabilities Committee (the "ALCO");
- the Bank's Credit Committee (the "BCC");
- the Central Credit Committee (the "CCC") and regional credit committees in detail and corporate branches.

The ALCO and the BCC are the committees chaired by the Vice President of the Management Board who is in charge of the Risk and Debt Collection Area. The ALCO and the BCC meet on a weekly basis.

The ALCO takes decisions within the scope of its authorisations and recommends actions to the Management Board with regard to market and liquidity risk management, management of portfolio credit risk, and management of the Bank's capital adequacy and assets and liabilities.

The BCC takes credit decisions in respect of significant individual credit exposure or issues recommendations in this respect to the Bank's Management Board.

The CCC supports the decisions taken by the relevant managing directors and Board Members with its recommendations and the credit committees operating in the regions support branch directors and directors of the regional corporate branches in matters bearing a higher risk level.

The Bank oversees the operation of its subsidiaries. Within the scope of such supervision, the Bank also determines and approves the development strategy of the companies within the Group with respect to the level of risk, the risk management process, supervises risk management in such companies and supports their growth. It also considers the level of risk associated with the operations of particular companies within the monitoring and reporting system of the Group.

## **Credit Risk**

Credit risk is defined as the risk of incurring financial loss due to a counterparty's failure to meet its financial obligations to the Bank or as the risk of the decreasing economic value of the Bank's receivables as a result of a counterparty's deteriorating ability to service its liabilities.

The credit risk management process is based on the following principles:

- every credit transaction requires a comprehensive credit risk analysis which results in a credit score or an internal credit rating;
- credit risk assessments for potential and existing loans are carried out periodically on an annual or quarterly basis depending on the value of credit exposure;
- for exposures significant for reasons of their risk level or value, credit risk assessments are subject to additional verification by an independent internal credit risk assessment units, independent of business units;
- the terms and conditions of a transaction offered to a customer depend on the assessment of the level of credit risk associated with such transaction;
- credit decisions may be made only by authorised persons;
- the Bank diversifies its credit risk with respect to geographic area, industry, product and customer; and
- the expected level of credit risk is mitigated by credit margins charged to the customers and by impairment allowances for credit loss.

The above-mentioned policies are executed by the Bank through the use of advanced credit risk management methods, both at the level of single loan exposure as well as within the Bank's entire credit portfolio. The methods are subject to regular verification and revision to ensure compliance with Internal Ratings Based Approach requirements (the "IRB").

Currently, the Bank is implementing an advanced credit risk management method that is fully compliant with the IRB method.

### ***Rating and Scoring Methods***

The risk associated with single loan transactions is assessed by the Bank through the use of scoring and rating methods which are created, developed and supervised by the Banking Risk Division.

These methods are supported by specialist central IT applications. The manner of credit risk assessment is defined in the Bank's internal regulations, whose main purpose is to ensure uniform and objective credit risk assessment in the lending process. These regulations determine the manner in which the level of credit risk associated with single credit exposure should be assessed and secured by collateral, as well as criteria for granting or refusing loans.

The Bank assesses the credit risk for individual clients based on the client's borrowing capacity and their creditworthiness. A client's borrowing capacity assessment consists of verifying their current financial standing (especially net disposable income), while the creditworthiness assessment covers the client score and credit history obtained from the Bank's internal records and from external databases.

Credit risk assessment for institutional clients is conducted at the level of the client and at the level of the transaction (except for certain types of transactions that involve SME customers which are assessed according to a scoring approach). The assessment is expressed in a rating of the client and a rating of the transaction.

The synthetic measure of credit risk, which reflects both risk factors, is a joint rating.

The rating and scoring information is used widely by the Bank in the process of risk management in the area of credit decisions and within the system for credit risk measurement and reporting.

With a view to the early identification of potential increases in credit risk or risk associated with the impairment of the collateral of loans granted to institutional clients, the Bank implemented an Early Warning System (the “EWS”).

### ***Credit Evaluation and Approval Process***

The Bank has a decentralised, tiered credit approval process. Depending on the loan amount and the Bank’s exposure to the borrower (or group of borrowers), the term of the loan, and the results of the evaluation based on scoring methodology (negative or positive), credit applications are approved by various levels of credit approving authorities with the Bank. The competence limit of a credit approval authority depends on their position in the Bank’s organisational hierarchy: the higher level, the greater the limit.

Generally, credit approvals are granted by the Management Board, the BCC, individual members of the Management Board supervising the retail and corporate departments of the Bank, and directors of certain regional branches. In addition, employees of certain regional branches have credit approval authority within approved limits.

Recommendations of the credit committees support the credit approval decision-making process. Depending on the amount of the proposed credit facility or loan, the BCC may issue recommendations of binding decisions. The CCC supports the managing directors who manage the business lines and the management board members supervising such departments by issuing recommendations. The credit committees participate in decisions regarding approvals of applications from both retail and corporate customers that involve significant loan amounts or a higher degree of risk.

A negative opinion of the credit committee is binding for the person who makes a credit approval decision, except that for the BCC which issues recommendations to the Management Board. A negative recommendation of a credit committee may be appealed by the decision maker to a higher level of the decision making ladder.

### ***Collateral policy***

The collateral policy followed by the Bank is to appropriately secure the interests of the Bank, and in the first place to establish collateral that offers the best possible level of debt recovery if a recovery procedure proves necessary.

The specific types of collateral that are established depend on the nature and term of a loan and the customer’s standing.

In connection with housing loans the principal and mandatory collateral is a mortgage on the financed real property and an assignment of receivables under the insurance agreement covering such property. Until a mortgage can be established effectively, depending on the amount of the loan and its type, the Bank accepts temporary collateral in the form of a promissory note, guarantee or insurance. In case of housing loans granted to retail customers, instead of accepting temporary collateral, a higher credit margin is applied until the mortgage on the real property is perfected.

When granting consumer loans to individual clients, the Bank usually accepts personal collateral (a guarantee under civil law or an aval) or establishes collateral on the client’s current account, car or securities.

Collateral on loans which finance small and medium-sized enterprises, as well as corporate clients, is established on, among other things, business receivables, bank accounts, movables, real property or securities.

In accepting legal collateral for loans, the Bank applies the following policies:

- in the case of substantial loans, the Bank establishes several types of collateral, combining personal and tangible collateral whenever possible;
- liquid collateral is preferred, such as property collateral, for which there is a high probability that the Bank will quickly satisfy its debt by achieving prices approximating the value of the assets determined at the time of collateral acceptance;
- collateral exposed to a risk of significant unfavourable value fluctuations is treated as ancillary;
- in the case of the acceptance of property collateral, the Bank accepts as additional security the transfer of the rights from the insurance policy for the subject of the collateral, or an insurance policy issued in favour of the Bank; and
- effective establishment of collateral in accordance with the agreement is a condition for the release of the loan funds.

Established collateral is subject to periodic monitoring in order to determine the current credit risk level of the transaction. The Bank monitors the property and financial standing of the entity that issues personal collateral, the condition and value of the object serving as property collateral, and other circumstances affecting the possibility of debt recovery by the Bank.

Collateral in the form of a mortgage is subject to special assessment. The Bank performs periodic monitoring of real properties accepted as collateral (the loan to value (LtV) ratio is taken into account) and monitors the prices on the real estate market. If this analysis shows a significant drop in prices on the real estate market, the Bank activates emergency procedures.

### ***Portfolio risk measurement***

In order to assess the level of credit risk and credit portfolio profitability, the Bank uses various credit risk measurement and assessment methods, including probability of default (PD), expected loss (EL), credit value at risk (CVaR), accuracy ratio (AR), share and structure of non-performing loans, and share and structure of exposures meeting the criteria of individual impairment.

The Bank systematically extends the scope of its credit risk measures, taking into account the requirements of the IRB approach as well as the scope of the application of risk measures, so as to fully cover the Bank's credit portfolio with those methods.

The portfolio credit risk measurement methods allow, among other things, the inclusion of credit risk in the price of its services, the determination of the optimum amount of cut-off points, and the determination of rates for making impairment allowances.

### ***Impairment of credit exposure***

The Bank periodically reviews its credit exposures to identify which loans are threatened with impairment, measures the impairment of its credit exposure and establishes write-offs and provisions. The process of establishing write-offs and provisions comprises the following stages:

- identification of the objective evidence of impairment and of events material for such identification;
- recording events material for the identification of the objective evidence of impairment of credit exposure in the Bank's IT systems;
- definition of the method for impairment measurement;
- measuring the impairment and deciding on allowances or a provision (allowance);
- verification and aggregation of the impairment measurement findings; and

- recording of the impairment measurement findings.

The method for defining the amount of the write-offs depends on the type of objective evidence of impairment identified and the individual significance of the credit exposure concerned. A delay in loan repayment of at least three months, a significant deterioration of a client's internal rating, and the conclusion of a restructuring agreement or a debt relief scheme are each treated as objective evidence of individual impairment.

In determining the period of loan repayment delay, the outstanding amounts of interest or principal instalments are taken into account. Overdue debt of up to PLN 100 is treated as insignificant when identifying the objective evidence of impairment.

The Bank uses three methods for impairment assessment:

- the individual method for individually significant clients for whom objective evidence of impairment on an individual basis was stated or who are in payment arrears for more than one month;
- the portfolio method, which is applied in the case of individually insignificant loans for which objective evidence of individual impairment has been found; and
- the collective method (IBNR), which is used in the case of loans where no conditions of individual impairment have been detected but there are conditions indicating the possibility of the occurrence of incurred but not identified losses (except for exposures with a delay in payment exceeding one month, to which the individual method is applied).

The write-off for impairment of the carrying amount of a credit exposure is the difference between the carrying amount of that exposure and the present value of the expected future cash flow from that exposure. When defining a write-off under the individual method, future cash flow is assessed for each credit exposure individually and the possible performance scenarios of the agreement are taken into account and weighed with the probability of their fulfilment. The write-off for credit exposure impairment defined under the portfolio or collective method is the difference between the carrying amount of such exposure and the present value of the expected future cash flow, assessed with statistical methods on the basis of historical monitoring of exposures from homogenous portfolios.

When defining the provision for off-balance sheet credit exposure with respect to individually significant credit exposure for which objective evidence of impairment on an individual basis was stated or pertains to debtors whose other types of exposure meet such conditions, the Bank uses the individual method; the provision for off-balance sheet credit exposure, defined under the individual method, is set as the difference between the expected value of the balance sheet exposure set to arise from the off-balance sheet liability awarded (from the assessment date to the date of the occurrence of the overdue debt which has been identified as objective evidence of individual impairment) and the present value of the expected future cash flow generated from the balance sheet exposure arising from the awarded liability in excess of the current value of the balance sheet exposure concerned.

With respect to other types of credit exposure and in accordance with the methodology applied by the Bank, the need to establish provisions depends on the relation between the level of using the off-balance sheet liabilities granted as at the date of review and the average level of using the liability until the default day (for a delay in loan repayment of at least three months), assessed on the basis of the historical observations for the exposure group with similar risk characteristics.

Recoveries on overdue loans are initially handled internally by the Bank. The collections are made by the Restructuring and Debt Collection Division, which as of 31 December 2009 employed 597 persons, which is split into sub-teams depending on the type of loan. Depending on the overdue status of the loan and, if applicable, the financial standing of the borrower or the status of the collateral, the collection team takes or proposes various actions, including, among others,

restructuring, instituting legal proceedings against the borrower and foreclosing on the collateral. The Bank cooperates with third-party collection agencies selected following tender proceedings.

### ***Risk management tools***

The main credit risk management tools used by the Bank are as follows:

- regulations concerning the assessment of credit availability, including cut-off points, the minimum number of points awarded during the course of client creditworthiness assessments made using the scoring system for individual clients or the rating class and joint rating for institutional clients, from which a loan transaction can be made with a given client;
- the minimum transaction terms and conditions defined for a given type of transaction (i.e. the minimum value of the LtV ratio, the maximum credit amount, the required collateral);
- the minimum credit spread – credit risk spreads related to the Bank's specific credit transaction concluded with an institutional client, with the provision that the client may not be offered an interest rate lower than that resulting from the reference rate increased by the credit risk spread;
- concentration limits – the limits defined in the Art. 71.1 of the Banking Law, industry limits, as well as those relating to financing real properties; and
- competence limits – which define the level of authority required to take credit decisions with respect to the Bank's clients, the limits depend mainly on the Bank's amount of credit exposure towards a given client (or a group of related clients) and the period of the credit transaction; competence limits also depend on credit decision making levels within the Bank's organisational structure.

### ***Risk concentration***

The Bank monitors credit risk concentration in respect of types of exposure to individual clients (or groups of related clients) and the types of exposure to groups of clients or credit portfolios exposed to a single risk factor.

In particular, the Bank monitors credit portfolios by geographical regions, loan currency, industry sector, and loans secured by real property.

The risk of a concentration of exposure to individual clients (or groups of related clients) is monitored pursuant to the Art. 71.1 of the Banking Law in respect of:

- the exposure concentration limit (the total amount of individual exposure may not exceed 25% of the Bank's own funds in the case of entities not related to the Bank or 20% of the Bank's own funds in the case of entities related to the Bank); and
- the large exposure limit (the sum of individual exposures in excess of 10% of the Bank's own funds may not exceed 800% of the Bank's own funds).

### ***Risk reporting***

The Bank prepares monthly and quarterly credit risk reports for ALCO, BCC and the Management and Supervisory Boards. The reports state the historical and projected credit risk levels. Beside information about the Bank, the reports also include the credit risk data for KREDOBANK and the Bankowy Fundusz Leasingowy group, which, given the nature of their business, also face a significant level of credit risk.

### ***Financial institutions and derivatives***

In the course of its business activities, the Bank uses various types of derivatives to manage the risk resulting from the business activities conducted. The main types of risk relating to derivatives include market and credit risk.

The derivatives used by the Bank within risk management and offered to its clients are mostly IRS, FRA, FX swap, CIRS, FX forward, and FX options.

In order to limit credit risk relating to derivatives, the Bank enters into framework agreements which are aimed at collateralising the Bank's claims towards counterparties resulting from derivative transactions by netting due and payable liabilities (i.e. mitigation of settlement risk) and liabilities which are not due and payable (i.e. mitigation of pre-settlement risk).

Framework agreements with foreign counterparties are made in accordance with standards developed by the ISDA (International Swaps and Derivatives Association) and the ISMA (International Securities Market Association), while those made with Polish counterparties are made in accordance with the standards developed by the PBA (Polish Banks Association). Framework agreements with Polish financial institutions for debt securities are made based on the Bank's internal standards. To mitigate credit risk in the case of a planned increase in the scale of operations of a financial institution which has entered into a framework agreement with the Bank, the parties enter into a collateral CSA (Credit Support Annex) agreement. Based on the Credit Support Annex, each of the parties, after meeting certain criteria specified in the agreement, undertakes to establish appropriate collateral along with the right to set such off.

The Bank has developed a standard policy with respect to signing ISDA master agreements which defines the protocol for negotiating, signing and administering such framework agreements and collateral agreements made with Polish banks and financial institutions, as well as for framework agreements and credit support annexes with foreign banks and credit institutions.

The ISMA and CSA agreements signed by the Bank contain provisions defining the permitted difference between credit exposure and collateral value. The CSA agreements, which are annexes to the ISDA agreements, provide that cash and securities may constitute collateral.

Entering into a master agreement with a counterparty is the basis for the verification of the internal limit per counterparty and of the length of the period of the Bank's engagement in derivative transactions. The client limit is based on an internal assessment (internal rating), as well as on the amount of own funds of the Bank and the client.

The net exposure to the derivatives risk on the inter-bank market for the 20 largest counterparties (excluding exposure to the State Treasury and the NBP) as of 31 December 2009 is presented in the table below:

<b>Counterparty</b>	<b>31 December 2009</b>
	<i>(in PLN thousand)</i> <i>(audited)</i>
Counterparty 1 .....	(4,648)
Counterparty 2 .....	–
Counterparty 3 .....	68
Counterparty 4 .....	–
Counterparty 5 .....	(21,743)
Counterparty 6 .....	72,529
Counterparty 7 .....	72,284
Counterparty 8 .....	45,798
Counterparty 9 .....	42,354
Counterparty 10 .....	41,953
Counterparty 11 .....	(2,102)
Counterparty 12 .....	41,232
Counterparty 13 .....	–
Counterparty 14 .....	38,250
Counterparty 15 .....	32,454
Counterparty 16 .....	28,920
Counterparty 17 .....	23,408
Counterparty 18 .....	(2,724)
Counterparty 19 .....	15,089
Counterparty 20 .....	14,038

*Source: 2009 Consolidated Financial Statements*

When a credit transaction is made with a financial institution which has its registered office outside of Poland, the international standards of loan agreements of the Loan Market Association are applied.

The Bank co-operates on the wholesale market with financial institutions whose registered offices are located in the territories of nearly 50 countries. Within the limits set, the Bank may enter into transactions with over 200 counterparties, including Polish and foreign banks, insurance companies and pension and investment funds. The transactions made include loan and deposit transactions, securities transactions, foreign exchange operations and derivative transactions.

The Bank monitors the financial standing of its counterparties on a regular basis and sets exposure limits adequate to the risk incurred for pre-settlement and settlement exposure of individual counterparties. The exposure to financial institutions on the wholesale market is of a high quality and generates low credit risk, as confirmed by external ratings granted by rating agencies and also by internal ratings granted to the counterparties by the Bank.

### **Market Risk**

Market risk is defined as the risk of incurring a financial loss due to adverse changes in market parameters, such as interest rates and foreign exchange rates or their volatility. Liquidity risk is defined as the risk that the Bank may be unable to meet current and future payment obligations (including contingent) as they become due as the result of insufficient liquid resources.

The Bank applies the following market and liquidity risk management policies:

- activities are undertaken with a view to maintaining the level of risk within the accepted risk profile;

- an acceptable level of liquidity is maintained, which depends on keeping the appropriate level of liquid assets;
- the main sources of financing of the Bank's assets are stable sources, first of all a stable deposit base;
- the foreign exchange and interest rate positions must be closed within the accepted limits; and
- the financial results of the Bank are optimised while observing an accepted level of market risk.

In order to assess the level of market risk the Bank uses different risk measurement and assessment methods, including:

- for interest rate risk – the value at risk (VaR) model, stress tests and interest income sensitivity measurements;
- for foreign exchange risk – the value at risk (VaR) model as well as stress tests; and
- for liquidity risk – the contractual and real-term liquidity gap method, the liquidity reserve method, verification of the stability of the deposit base and loan portfolio and shock analyses.

The market risk management tools used by the Bank include:

- setting limits and threshold values by individual market risk types,
- defining the allowed types of transactions which are exposed to specific market risks, and
- entering into transactions ensuring long-term financing of credit activities.

### ***Interest rate risk***

Interest rate risk is defined as the risk of a decrease in the Bank's current or future financial results or the Bank's shareholders' equity as a result of adverse changes in interest rate levels.

Interest rate risk is the most significant market risk faced by the Bank. In an effort to mitigate interest rate risk, the Bank defines limits and threshold values with regard to, among other things, the degree of price sensitivity and interest income sensitivity, the maximum amount of losses and allowed derivatives sensitive to interest rate fluctuations. Limits have been set for individual portfolios of the Bank.

In order to determine the level of interest rate risk, the VaR measure is applied with a 99% confidence level and a period of 10 days. Stress tests are also used to supplement the VaR method. The following scenarios are applied at the Bank:

- hypothetical scenarios – within which a hypothetical fluctuation in interest rates of various currencies at the level of  $\pm 200$  bp is assumed;
- historical – assuming an extrapolation of the past movements of interest rate levels. Such scenarios used by the Bank include:
  - an extreme event, where the most substantial one-month change which occurred in the last five years is calculated; in order to determine such change, the sum of the absolute values of the changes at all of the peaks is used;
  - a peak-type bending of the yield curve, where a one-year peak is assumed to change by the value of the largest observed change in the interest rate for this peak; for other peaks the change is faded out by applying proper multipliers;
  - a twist-type bending of the yield curve, where the longest and the shortest peaks are assumed to change the most and a one-year peak is assumed not to change; and

– spread risk scenario, presents potential loss in case the yield curve changes by the largest observed spread between the yield curve used for bond valuation and the yield curve used for the valuation of derivative hedging against investment in bonds.

The VaR of the Bank and stress tests regarding the Group's interest income sensitivity are presented in the table below:

<b>Name of the sensitivity measure</b>	<b>31 December 2009</b>
	<i>(audited)</i>
10-day VaR (PLN thousand)* .....	17,086
Parallel move of the interest rate curves by 200 bp (PLN thousand) .....	233,304

\* *In light of the nature of operations of the other companies in the Group which generate material interest rate risk and the special nature of the market where they operate, the Group does not designate a consolidated sensitivity measure of VaR. Those companies apply their own risk measures for the purposes of managing interest rate risk. The 10-day interest rate VaR for the principal currencies is applied by KREDOBANK S.A. and such value, as at 31 December 2009 was PLN 40,048 thousand.*

Source: Consolidated Financial Statements

As of 31 December 2009, the 10-day VaR resulting from interest rate (IR VaR) was PLN 17.1 million, 0.1 % of the Bank's own funds which, calculated in accordance with the provisions on calculating the capital adequacy ratio, totalled PLN 16,938.0 million.

The interest rate risk was determined mostly by the risk of mismatch between the repricing dates of assets and liabilities. The Bank's exposure to interest rate risk in the twelve month period ended 31 December 2009 was within the Bank's internal limits.

The Group's exposure to interest rate risk as at 31 December 2009 consisted mostly of the Bank's exposure. The interest rate risk for PLN, EUR and CHF generated by the other Group companies did not have a material impact on the interest rate risk for the entire Group and thus did not significantly change its risk profile. The interest rate risk for USD was materially changed through exposure of the Group's subsidiaries with the greatest role played by the exposure of KREDOBANK S.A.

In measuring interest rate risk the Bank takes into account the risk identified by DM PKO BP attributable to services involving debt securities transactions carried out by the brokerage house as an intermediary and acting for its own account as well as the risk relating to underwriting services. Interest rate risk is managed by the whole Bank within the limits determined by the Bank for interest rate risk. In addition, the Bank applies a separate limit on interest rate risk in connection with the operations of the brokerage house only.

### **Foreign exchange risk**

The Bank offers its customers a number of foreign exchange products and services (especially mortgages and deposits in foreign currencies) and, to a limited extent, trades in foreign exchange markets to realise additional returns. Consequently the Bank faces foreign exchange risk, which is defined as the risk of incurring losses due to unfavourable changes in foreign exchange rates.

The Bank enters into foreign currency (FX) forward transactions, European FX vanilla options, American FX binary options, European FX binary options and European FX (single and double) barrier options. The Bank has not, however, entered into any agreements with foreign banks for the sale of ready-made option strategies, as all of the option strategies that it offers are tailored to the specific needs and requirements of the particular client.

In accordance with the requirements of the PFSA, for the purposes of calculation of the regulatory capital requirements, exposures in options, for which the Bank has not obtained approval for the application of its own valuation models, are hedged back-to-back with the same tenor and amount on the interbank market with contractors who offer the best prices. Currently, options hedged back-to-back with the same tenor and amount are European FX double barrier options (as at 31 December

2009 no transactions were concluded). The Bank applies a delta-hedging strategy to hedge the risk attributable to European plain vanilla options, American and European binary options and European single barrier options for which the Bank has obtained approval from the supervisory authority to apply its own valuation model, whereas open risk positions are kept within the permitted internal limits determined by the Bank. As at 31 December 2009, the Bank completed 614 European plain vanilla option transactions, whereas the open delta position without hedge (gross in foreign currencies) was PLN 582.0 million. As at 31 December 2009, the Bank completed nine European binary options transactions and 269 European single barrier options transactions (no American binary options transactions) – the open position of unhedged delta (gross in foreign currencies) accounted for PLN 21.9 million in these options. Consequently, the open options were maintained by the Bank mainly in European plain vanilla options, which were hedged through the use of a delta hedging strategy.

The Bank monitors open foreign exchange positions and measures the risk with the use of a VaR model. Stress tests are used to assess potential losses on FX positions where market situations occur which cannot be described using statistical measurements. The scenarios which are applied at the Bank are based on historical scenarios as well as on hypothetical scenarios. The following scenarios are applied at the Bank:

- 15% decrease or increase of foreign exchange rates in relation to PLN depending on which of these two market changes would cause larger loss on the portfolio of foreign currencies held in the Bank;
- 15% decrease or increase of USD, EUR, CHF in relation to PLN, respectively, depending on which of these two market changes would cause larger loss;
- scenario of changes of foreign exchange rates observed in October 2008; in this scenario PLN decreases in relation to USD at +18.78%, EUR +10.55%, CHF +16.11 %, other currencies +10.53%; and
- scenario of changes of foreign exchange rates observed in October 2008; in this scenario PLN increases in relation to USD at -11.43%, EUR -6.90 %, CHF -8.78%, other currencies -5.92%.

With respect to foreign exchange risk mitigation, the Bank defines limits with regard to, among other things, the value of currency position, value at risk for a ten-day time horizon at 99% confidence level (10-day VaR) and daily loss from speculative transactions on the foreign exchange market.

The VaR of the Bank and stress tests regarding the Group’s financial assets subject to foreign exchange risk, for all the currencies jointly, are presented in the table below:

<b>Name of the sensitivity measure</b>	<b>31 December 2009</b>
	<i>(audited)</i>
10-day VaR (PLN thousand)* .....	1,092*
Change of exchange rates CURR/PLN by 15% (PLN thousand).....	697

\* *In light of the nature of operations of the other companies in the Group which generate material foreign exchange risk and the special nature of the market where they operate, the Bank does not designate a consolidated sensitivity measure of VaR. Those companies apply their own risk measures for the purposes of managing foreign exchange risk. The 10-day VaR measure is applied by KREDOBANK S.A. and such value, as at 31 December 2009 was PLN 64 thousand.*

Source: 2009 Consolidated Financial Statements

As of 31 December 2009, the 10-day VaR at a 99% confidence level resulting from foreign exchange operations was PLN 1.1 million, 0.01% of the Bank’s own funds which, calculated in accordance with the provisions on calculating the capital adequacy ratio, totalled PLN 16,938.0 million.

The foreign exchange positions in the Group are presented in the table below.

<b>Name of the sensitivity measure</b>	<b>31 December 2009</b>
	<i>(audited)</i>
	<i>(in PLN thousand)</i>
USD .....	(31,811)
GBP .....	1,501
CHF .....	(3,634)
EUR.....	26,489
Other (Global Net) .....	12,101

Source: 2009 Consolidated Financial Statements

### **Liquidity risk**

The Bank has a highly diversified deposit base and a large portion of liquid assets on its books.

Liquidity risk is defined as the risk of the Bank's inability to meet its current and future obligations.

The methods for measuring liquidity risk are based on the evaluation of contractual and adjusted liquidity gaps. The contractual liquidity gap is a list of all balance positions by their maturity, whereas the adjusted liquidity gap is a list of individual balance categories by their assumed actual maturity. The liquidity reserve is the difference between the most liquid assets and the expected and potential liabilities that mature in a given period. The most liquid assets include lockable treasury papers both in PLN as well as in foreign currency, money bills, Treasury bills and Treasury bonds, which as at 31 December 2009 was PLN 18.6 billion and accounted for approximately 73% of these assets. Additionally, the most liquid assets are funds in the current account kept with the NBP for PLN, funds in the nostro accounts for foreign currencies, cash in the cashier's office in the Bank and the surplus of interbank loans over interbank deposits. As at 31 December 2009 these assets accounted for 18%, 1.5%, 9% and -1.5% of the most liquid assets, respectively.

The table below presents the adjusted liquidity gap as at 31 December 2009. The adjustments relate to, among others: transfer of core deposits and loans to adequate periods to reflect their actual maturity terms and transfer of liquid securities to the period up to one month.

	a'vista	0-1 month	1-3 months	3-6 months	6-12 months	12-36 months	36-60 months	over 60 months
	<i>(audited)</i>							
Group – adjusted liquidity gap .....	7,168,054	15,375,687	(3,609,590)	316,614	3,587,227	1,655,613	4,769,757	(29,263,362)
Group – adjusted cumulated liquidity gap.....	7,168,054	22,543,741	18,934,151	19,250,765	22,837,992	24,493,605	29,263,362	–

Source: Consolidated Financial Statements

In all time frames the adjusted cumulated liquidity gap is positive, which reflects a net surplus of maturing assets over maturing liabilities. As of 31 December 2009, cumulative surplus liquidity for up to a one-month horizon was PLN 22.5 billion.

The Bank reduces funding mismatch in exchangeable currencies (EUR, USD and CHF) with the use of derivative transactions such as CIRS and FX swaps. In June 2009 the Bank introduced to its product offering a new savings account in exchangeable currencies (EUR, USD and CHF) with attractive interest rates in order to overcome its funding mismatch in foreign currencies. Such product allows customers to manage their own FX risk resulting from loans drawn by them in foreign currencies (by providing them with the opportunity for earlier purchase of foreign currencies and repayment of outstanding loans with the funds from such account).

### **Market risk attributable to the operations of Dom Maklerski PKO BP SA**

The brokerage house also generates equity price risk primarily in connection with its function as a market-maker on the WSE and, if relevant agreements are entered into, risk involved in acting as underwriter. The equity price risk is managed within the limits regarding DM PKO BP's operations as a market-maker and an issuer of securities on the WSE, separately for the position in equity securities and equity derivatives and for the position in derivatives on the WSE index. The average equity portfolio position in 2009 was PLN 4.5 million. The average absolute position in portfolio of derivatives on WIG20 index in 2009 was PLN 0.9 million.

### **Risk reporting**

The Bank prepares reports on the level of market risk for operating purposes on a daily and weekly basis. Reports on the level of market risk for management purposes, which are presented primarily to ALCO and the Management and Supervisory Boards, are prepared on a monthly, quarterly and semi-annual basis.

### **Operational Risk Management**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk.

The Bank's internal regulations clearly define the distribution of duties and competencies in the area of operational risk management. In accordance with these regulations, all the issues related to operational risk management are supervised by the Management Board, which sets the objectives for operational risk management, defines policies for operational risk, and accepts reports relating to operational risk.

Operational risk management is performed through systemic solutions as well as regular ongoing management of risk.

Systemic operational risk management consists of developing internal regulations and other solutions relating to operational risk and concerning, *inter alia*, human resources, the organisation of the Bank, the accounting system, IT, security, internal processes, client service processes, and outsourcing certain banking and other activities.

Systemic operational risk management is centralised at the level of the Bank's headquarters. Each business and support line has a dedicated unit which is responsible for the identification and monitoring of operational risk associated with the products or internal processes which they supervise and for taking appropriate steps to ensure an acceptable level of operational risk.

Day-to-day operational risk management involves preventing operational risk from arising within internal processes and systems or during the course of product realisation, undertaking activities aimed at limiting the number and scale of threats (operational risk events), eliminating the negative effects of operational risk events, and collecting data on operational risk events.

Ongoing operational risk management is conducted by every organisational unit of the Bank.

Moreover, a significant role in operational risk management is performed by the Banking Risk Division, which co-ordinates the identification, measurement, monitoring and reporting of operational risk in the entire Group.

The Bank is currently implementing advanced solutions for operational risk measurement which comply with the requirements of the Advanced Measurement Approach (AMA) method.

If the Bank starts to use such methods for calculating capital requirements in the future (following the receipt of approval of the PFSA), its aggregate capital requirement and capital adequacy ratio may change.

In order to limit exposure to operational risk the Bank applies different solutions, such as audit and control systems, human resources management (appropriate staff selection, enhancement of the professional qualifications of its employees, and motivational packages), setting threshold values of Key Risk Indicators (**KRI**), contingency plans, insurance coverage, and outsourcing.

The selection of instruments used to mitigate operational risk is chosen depending on, among other factors, the availability and adequacy of instruments mitigating the risk, the nature of the business or process in which the operational risk has been identified, risk materiality, and the cost of using an instrument.

In addition, the internal regulations of the Bank provide for the obligation not to undertake any business activity which is subject to excessive risk, and if such business activity is conducted, the internal regulations state that the Bank must either withdraw from or limit such business activity. The level of operational risk is considered to be excessive if the potential benefits from conducting such business activity are lower than the potential operational losses from engagement in such operations.

Operational risk assessment is conducted using data collected on operational risk events, internal audit results, results of internal functional control, results of operational risk self-assessment, and KRI.

The Bank regularly monitors the level of KRI and operational risk events that exceed the threshold value defined for operational risk.

### ***Risk reporting***

The Bank prepares quarterly reports on the operational risk of the Bank and the subsidiaries in the Group for the Management and Supervisory Boards. The reports contain information relating to the Bank's operational risk profile resulting from the process of identification and assessment of threats, the results of operational risk assessment and monitoring, operational events and their financial effects, and the most significant projects and undertakings regarding operational risk management.

### **Compliance Risk**

Compliance risk is defined as the risk of legal sanctions, incurring financial losses or losing reputation or reliability due to the failure of the Bank, its employees or entities acting on its behalf to comply with provisions of the law, internal regulations, or the standards adopted by the Bank, including ethical standards.

The objective of compliance risk management is to strengthen the image of the Bank as an institution that is reliable, fair, honest and compliant with applicable law and adopted standards. This is achieved through mitigating compliance risk, reputation risk and legal sanction risk as well as mitigating the risk of potential financial loss or legal sanctions that may be caused by a violation of law or regulations.

Compliance risk management involves, in particular, preventing the Bank from becoming involved in illegal activities, ensuring data protection, the development of ethical standards and monitoring the application thereof, management of conflicts of interests, preventing situations in which the Bank's employees could be perceived as pursuing their own interest in a professional context, professional, fair and transparent formulation of offers of products, advertising and marketing messages, and prompt, fair and professional consideration of complaints, requests and quality claims of its clients.

### **Reputational Risk**

Reputational risk is defined as risk related to the possibility of negative variations from the planned results of the Bank due to a deterioration of the Bank's image.

The objective of managing reputational risk is to protect the Bank's image and limit the probability of the occurrence and level of reputation-related losses.

The management of the Bank's reputational risk comprises, in particular:

- monitoring the external and internal communication channels of the Bank with the environment in terms of identifying the negative impact of image-related events;
- accumulating and analysing information related to the occurrence or the possibility of the occurrence of image-related events;
- recording data on the identified negative impact of image-related events on the Bank;
- selecting effective tools for protective measures aimed at eliminating, mitigating or minimising the unfavourable effect of image-related events on the Bank's image, and the implementation of such measures;
- analysing the nature, importance, scale and dynamics of the negative effects of image-related events; and
- determining the level of reputational risk.

The Group monitors and records image-related events on an ongoing basis and measures the level of the reputational risk annually.

### **Strategic Risk**

Strategic risk is defined as risk related to the possibility of negative financial consequences caused by erroneous decisions, decisions made on the basis of an inappropriate assessment or the failure to make correct decisions relating to the direction of the Bank's strategic development.

The objective of managing strategic risk is to take actions aimed at maintaining this risk at an acceptable level.

The management of the Bank's strategic risk comprises:

- measuring the level of strategic risk;
- reporting the level of strategic risk and its changes; and
- actions taken in the event of a high strategic risk arising.

In measuring strategic risk, the Bank takes the following into account:

- external factors;
- factors related to the growth and development of banking operations;
- factors related to the management of human resources;
- factors related to investment activities;
- factors related to the organisation's culture.

## Employees

The table below presents the number of employees employed (on full or part time basis) with PKO BP and in other companies within the Group as at the indicated dates.

	Headcount as at 31 December	
	2009	2008
PKO BP .....	28,548	30,000
Other companies in the Group .....	3,306	3,629
<b>Total</b> .....	<b>31,854</b>	<b>33,629</b>

Source: the Bank

### **Trade Unions and Collective Labour Agreements**

As at the date of this Base Prospectus, there were two trade unions operating at the Bank which hold special status:

- Niezależny Samorządny Związek Zawodowy „Solidarność” Pracowników PKO BP S.A.; and
- Krajowy Związek Zawodowy Pracowników PKO BP S.A.

On 28 March 1994 the Bank and trade unions operating at the Bank concluded a Collective Labour Agreement effective as of 1 April 1994. This agreement covers all of the Bank's employees, except for members of the Management Board and individuals with whom the Bank has concluded managerial contracts and other civil-law agreements.

Under the Collective Labour Agreement, the Bank's employees, apart from base salary, are entitled to bonuses, bonuses for the economic performance of the Bank, anniversary bonuses, performance bonuses and severance payments upon retirement or becoming disabled.

The Collective Labour Agreement was entered into for an unspecified term and may be terminated by mutual agreement or by either party giving a three-month notice in writing.

## INDUSTRY OVERVIEW

### The Polish Banking Sector

#### *Historical Development of the Polish Banking Sector*

Between 1989 and 1991 a two-tiered banking sector was established, separating the central bank from the rest of the banking sector. Nine regional commercial banks were created out of the NBP's commercial and retail banking operations. The NBP branch network and respective commercial loan portfolios of those branches were divided among the newly-established banks to give each new bank a regional base. All of these regional banks were transformed into joint stock companies in October 1991 and were subsequently privatised between 1993 and 2001.

Since 1991 the Polish banking law has allowed licencing of new private banks in Poland and opened the Polish banking market to foreign investors. As a result there was a rapid expansion in the number of banks due to foreign banking groups entering the market.

#### *Structure of the Polish Banking Sector*

The Polish banking market is still operating as a two-tiered system. According to the Central Statistical Office of Poland, as of 31 December 2009, there were 67 commercial banks in Poland, 18 branches of credit institutions and 576 relatively small co-operative banks.

The current shareholders' structure of Polish commercial banks is characterised by the high capital involvement of foreign investors. As of 31 December 2007, the level of foreign investors in the Polish banking sector by assets was approximately 71%, compared to approximately 29% for other Member States (according to ECB).

The table below shows the share of each category of financial institutional groups in the share capital of Polish banks, as measured by assets.

	<b>30 September 2009</b>	<b>31 December 2008</b>
	(%)	
Domestic financial institutional groups, including: .....	30.6	27.7
- The State Treasury .....	19.8	17.3
- Co-operative banks .....	5.6	5.4
- Others .....	5.2	5.0
Foreign financial institutional groups .....	69.4	72.3

Source: PFSA

During the period from 2007 to 2009 the number of branches in Poland increased from 5,605 to 6,378 (according to the PFSA).

#### *Competitive Landscape of the Polish Banking Sector*

The level of competition on the Polish banking sector is relatively high. According to the PFSA, as of 30 September 2009, the share of the five largest banks in the Polish banking sector by assets, deposits for the non-financial sector and loans for the non-financial sector was 43.5%, 53.2% and 42.8%, respectively.

Among the factors increasing competition are also the recent mergers of major Polish banks (for example, the merger of Pekao S.A. and BPH S.A. in 2007, the merger of BPH S.A. and GE Money Bank S.A. in 2009, the acquisition of AIG Bank Polska S.A. by Santander Consumer Bank in 2009).

Additionally, in 2008 new banks – Alior Bank S.A. and Allianz Bank S.A. – were established in the Polish banking market.

Four banks from the top five banks are controlled by foreign banking groups. These foreign parent banks initially provided substantial funding to their subsidiaries and cut back part of these lines as a consequence of the financial crisis in 2008 and 2009. Thus, Polish banks were forced to seek alternative sources of funding for their lending activity. This development, in addition to the lack of trust caused by the financial crisis that resulted in the restriction of the availability of funding from the Polish inter-bank market, increased the focus of banks to generate as many deposits as possible. This trend resulted in strong competition on the savings product market (so called “deposit war”).

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

The following table sets forth the Polish banks’ aggregate assets, deposits from the non-financial sector and loans to the non-financial sector.

	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<i>(in PLN billion)</i>	
Polish banks’ aggregate assets .....	1,060.8	1,039.1
Deposits from non-financial sector .....	560.0	494.1
Loans to non-financial sector .....	627.9	593.4

Source: The PFSA

The main structural driver for this significant growth before the global financial crisis both in the value of deposits as well as customer loans is the low level of banking intermediation in Poland compared to other Member States. The banks’ aggregate assets in the Polish banking sector in 2009 amounted to 83.9% of Poland’s GDP for the year as compared to 346.6%, the average in euro area. Given the favourable economic situation in Poland in the period between 2007 and 2008, the significant investments of banks in the region and the general increase of corporate as well as household income, this difference narrowed significantly resulting in the development of the new loan and deposit business.

As of the fourth quarter of 2008 this development of the new loan and deposit business came to an end.

The following table sets forth the value of loans extended to the non-financial sector in Poland.

	<b>As of 31 December</b>		
	<b>2009</b>	<b>2008</b>	<b>2009-2008 change</b>
	<i>(in PLN billion, except percentages)</i>		
Households .....	412.5	368.6	11.9%
In % of total.....	65.7%	62.1%	–
Institutional customers .....	212.7	222.6	-4.4%
In % of total.....	33.9%	37.5%	–
Non-commercial institutions .....	2.7	2.2	22.7%
In % of total.....	0.4%	0.4%	–
Total.....	627.9	593.4	5.8%

Source: The PFSA

The increase in the value of the loans extended to the non-financial sector from 2007 until mid 2008 was the result of good market conditions. The increase in the value of loans to households was the

result of growing wealth and consumption levels as well as a significant increase in mortgage loans. Households benefited especially from attractive offers of the banks (especially in terms of FX denominated mortgage loans). Since the fourth quarter of 2008 the supply of loans as well as the demand for mortgage loans dropped significantly given the reduction of foreign exchange lending and the deteriorating economic environment in Poland. Since then the increase in loan volumes can be attributed to the depreciation of the PLN compared to foreign currencies.

After a period of strong growth in corporate loans between 2007 and 2008, the growth of loans to institutional customers declined and turned negative in 2009 due to the declining demand for loans resulting from the scale back of investments of corporate customers in the current environment and the further tightening of the credit policies of banks.

The following table sets forth the deposits from the non-financial sector collected in the banking sector in Poland.

	As of 31 December		2009-2008 change
	2009	2008	
<i>(in PLN billion, except percentages)</i>			
Households .....	379.7	330.8	14.8%
In % of total.....	67.8%	67.0%	–
Institutional customers .....	166.0	149.1	11.4%
In % of total.....	29.6%	30.2%	–
Non-commercial institutions .....	14.4	14.2	1.1%
In % of total.....	2.6%	2.9%	–
Total.....	560.0	494.1	13.3%

Source: The PFSA

Whereas the increase in deposits until the fourth quarter of 2008 can be explained by the favourable macroeconomic and banking environment, the increase in the households deposit segment in 2009 was the result of attractive deposit offers of banks to overcome the funding restrictions on the interbank market and by their parents. The decrease in the institutional customers deposit segment in 2009 was the result of deterioration of the financial condition of enterprises.

The following table presents the financial results of the Polish banking sector as well as the cost to income ratio and return on equity.

	As of 31 December	
	2009	2008
<i>(in PLN billion, except percentages)</i>		
Gross profit .....	10.7	16.8
Net profit .....	8.7	13.7
Cost to income ratio .....	54.6%*	54.7%
Return on equity .....	11.8%*	21.2%

\* As of 30 September 2009

Source: The PFSA

The Polish banking sector showed a very strong financial performance prior to the fourth quarter of 2008. Based on the favourable interest rate environment, the strong growth of the loan portfolios and the appreciation of the PLN, the return on equity of the banks was comfortably above 20%. In this period most of the banks also significantly improved their operating efficiency, as documented by the decline in cost to income ratio from 59.2% in 2006 to 54.7% in 2008.

Given the substantial loan loss provisions, the negative exchange rate environment and the significant squeeze of interest margins, profitability decreased significantly (according to the PFSA, net interest margin decreased from 3.1% for 2007, through 3.4% for 2008 to 2.7% for the third quarter of 2009).

The financial result for 2009 declined to PLN 10.7 billion gross (PLN 8.7 billion net), compared to PLN 16.8 billion gross (PLN 13.7 billion net) for 2008.

### ***Trends in the Polish Banking Sector***

#### *Polish Macroeconomy*

Economic growth in Poland in 2006, 2007 and 2008 was stronger than that in the Eurozone. Similarly, a marked deterioration in Poland which started in the fourth quarter of 2008 is relatively weaker than in the Western European countries. This is due to a lower share of export in GDP with a relatively strong and healthy financial situation and a low indebtedness level of domestic households and enterprises. Additionally, despite the material decrease in Polish exports, the significant weakening of the PLN in the second half of 2008 and at the beginning of 2009 caused a deep slump in import, therefore external trade was the most important positive factor for GDP growth.

#### *Convergence in the Polish Banking Sector*

There is high potential for further growth of the banking industry in Poland. According to the ECB, the banks' aggregate assets in the Polish banking sector in 2009 amounted to 83.9% of Poland's GDP for the year as compared to 346.6%, the average in the euro area. Despite the current unfavourable market conditions this overlaying growth trend is still intact and will be a main factor for future asset and income growth once the market starts to recover fully.

#### *Impact of the Financial Crisis on the Polish Banks*

The financial crisis had a significant impact on the Polish banking market, impacting the quality of the loan portfolios and depressing the level of earnings in the Polish banking sector. The inflow of funds from abroad, one of the main financing sources of credit activity, significantly declined in the second half of 2008 and the availability of funding on the interbank market was reduced following a lack of trust in the market. As a result, the banks sought alternative sources of funding which significantly increased competition on the deposit market.

As the loan/deposit ratio of the market increased above 100% in 2008 (112.1% in 2009) and external market funding is only available to a limited degree, future loan growth in the crisis will be limited by the amount of new deposits generated by the banks.

#### *Competitive Environment*

The level of competition in the Polish banking sector is high. Among the factors increasing competition are the recent mergers of major Polish banks and the establishment of new banks by foreign investors. Additionally, due to the financial crisis, some of the international banks in Poland may be under pressure to sell their subsidiaries in Poland.

Moreover, as of the fourth quarter of 2008 banks in Poland were forced to seek alternative sources of funding for their lending activity. The funding provided by foreign parent banks was stopped and lack of trust resulted in unavailability of funding from the Polish interbank market. As a result, retail customer deposits became the principal source of funding for its lending activities, which resulted in strong competition on the savings products market.

#### *Growing Importance of Alternative Distribution Channels and Products*

In recent years alternative distribution channels, such as internet banking, are becoming of increasing importance. Moreover, new products, such as markets for financial advisory services, wealth

management, insurance products and various investment fund products in Poland have seen significant growth and will be a significant driver for profitability in the future. This general trend is expected to continue in the coming years.

## BANKING REGULATIONS IN POLAND

### **Regulatory Environment**

EU and Polish laws, regulations, policies and interpretations of laws relating to the banking sector and financial institutions are continually evolving and changing. Among the most important regulations are capital requirements, capital adequacy requirements and consumer protection-related regulations. In particular, a further tightening of consumer protection rights might have a significant influence on the operations of banks in Poland.

### ***Banking regulations in Poland***

*Information included in this section is of a general nature and describes the legal status as at the date of this Base Prospectus.*

The conducting of banking activity in Poland requires a permit and is subject to a range of regulatory requirements. Banks also enjoy several privileges related to the conducting of their business.

### ***Banking Supervision***

Banking supervision in Poland is exercised by the PFSA. It has extensive competencies and legal instruments at its disposal to exercise its supervision over banks.

The competencies of the PFSA include, in particular:

- granting permits for: the establishment of a bank, amendments to its statute, appointment of two members to a bank's management board, including the president, and the exercise of voting rights at a bank's general meeting over and above the specific voting thresholds;
- supervision of banks as far as compliance with the law (including, in particular, with banking regulations) and the regulations stated in the banks' statutes;
- monitoring the financial condition of banks and the establishment of liquidity ratios and other standards of permitted risk in the banks' operations which are binding on the banks;
- issuance of recommendations concerning the best practices in terms of the prudent and stable management of banks;
- issuance of guidelines to the banks concerning taking or refraining from any specific actions;
- imposing penalties and designating recovery measures in case of a breach of any banking regulations, including cash penalties, suspension of management board members from their duties, restriction of the bank's business or revocation of banking permits; and
- appointment of trustee management (*zarząd komisaryczny*) for banks.

### ***Other Authorities which Exercise Material Supervision over the Activities of the Banks***

Specific areas of banking operations are also subject to the supervision of other administrative authorities, including in particular:

- the President of the Antimonopoly Office, within the scope of the law of competition and consumer rights;
- the General Inspector for the Protection of Personal Data, within the scope of the processing and protection of personal data; and
- the Minister competent to oversee issues related to financial institutions and the General Inspector of Financial Information, within the scope of counteracting the introduction of

property values originating from illegal or undisclosed sources to financial transactions and on counteracting the financing of terrorism (anti-money laundering).

### ***Special Requirements for Banks***

Banks must comply with a number of requirements related to their operations. The crucial ones include the requirement for banks to manage their finances in a strictly regulated fashion and all the requirements concerning equity, capital adequacy ratio, concentration of exposures, liquidity and risk management systems.

Banking operations are highly restricted. Banks are also required to protect banking secrets (information concerning any banking operations performed by a bank) and observe the provisions on counteracting the introduction of property values originating from illegal or undisclosed sources to financial transactions and on counteracting the financing of terrorism.

A range of restrictions 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.

All the resolutions, decrees and recommendations issued by the PFSA are also of material importance for the banks. In particular, banks offering mortgage loans must specifically consider "Recommendation S (II) concerning the best practices applicable to the exposure of mortgage secured loans", which has been binding on the banks since 1 April 2009.

In December 2009 the Basel Committee on Banking Supervision approved for consultation a package of proposals which aim to strengthen global capital and liquidity regulations by changing prudential regulations. Such proposals, referred to as Basel III, are expected to come into effect in 2012. These changes include, among others, the strengthening of capital requirements for credit risk exposures arising from derivatives, repos and securities financing activities; the introduction of a minimum liquidity standard for banks that are active internationally; and the promotion of more forward-looking provisioning based on expected losses. The Bank believes that these changes should not have an adverse effect on its market position due to: the diversification of its exposures (loan portfolio and inter-bank exposures); the fact that it has a significant share of assets with high risk weights (corporate loans, consumer loans, mortgage loans) and it rarely applies CRM techniques which could decrease capital requirements; and the Bank's share of core Tier 1 capital in the Bank's own funds is significant.

### ***Bank Guarantee Fund***

The cash deposited in bank accounts and any cash due under receivables confirmed by documents issued by banks is covered by a guarantee system, the Bank Guarantee Fund. The banks pay mandatory annual fees to the Bank Guarantee Fund. If a bank becomes insolvent, the means of the Bank Guarantee Fund are used to cover the claims of the banks' clients, if any.

### ***Bank Privileges***

The banks enjoy several privileges related to their business. In particular, the law provides simplified procedures for securing bank receivables, several banking documents are considered as official documents, and the banks are authorised to apply simplified procedures for prosecuting claims thanks to their authority to issue bank enforcement titles. Additionally, the banks have the right to transfer their receivables to another entity which may issue securities collateralised by the transferred receivables (securitisation of bank receivables).

### ***Consumer Protection***

The Consumer Credit Act dated 20 July 2001 (Journal of Laws of 2001, No. 100, item 1081, 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 the prohibition from including specific clauses which are unfavourable to consumers in agreements.

The maximum interest rates which may be charged by a bank under a consumer loan agreement are equal to four times the NBP lombard credit rates. Regardless of the above, the total value of all the fees, commissions and other payments related to a consumer loan (this does not apply to, e.g. mortgage loans) cannot be greater than 5% of the principal under the consumer loan.

### **Personal Data Protection**

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

## GENERAL INFORMATION ON THE BANK

### Basic Information

Name and legal form: ..... Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna  
Registered office: ..... ul. Puławska 15, 02-515 Warsaw, Poland  
Telephone number: ..... (+48 22) 521 91 82  
Fax number:..... (+48 22) 521 91 83  
Website: ..... www.pkobp.pl  
Email address: ..... ir@pkobp.pl  
KRS (company registration number): ..... 0000026438  
REGON: ..... 016298263  
NIP: ..... 525-000-77-38

The Bank in the form of a joint stock company was formed by virtue of the Regulation of the Council of Ministers dated 18 January 2000 on the transformation of Powszechna Kasa Oszczędności – Bank Państwowy into a wholly state-owned joint stock company operating under the business name of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (Journal of Laws of 2000, No. 5, item 55) issued under Article 44 of the Banking Law. On 28 March 2000, under the aforementioned Regulation, the act on transformation of the state-owned bank into a wholly state-owned joint stock company was executed.

The Bank was entered in the commercial register under a court decision dated 12 April 2000. On 11 July 2001 the Bank was entered in the Commercial Register kept by the District Court for the Capital City of Warsaw, XVI Registry Division. At present the competent registry court is the District Court for the Capital City of Warsaw, XIII Business Division of the National Court Register.

The Bank has been established for unspecified period of time. The Bank operates in accordance with the Commercial Companies Code, the Banking Law and other rules and regulations governing banks and commercial companies as well as the provisions of the Statute and other internal regulations.

### Object of Activities

The Bank's object of activities is set forth in § 4 of the Statute.

PKO BP is a universal deposit and lending bank providing services to individuals, legal entities, small, medium and large enterprises as well as to state and local government institutions and other domestic and foreign entities. The Bank is also active in the areas of treasury and investment. The Bank may hold foreign exchange values and trade in them, carry out currency and foreign exchange operations as well as open and hold accounts in foreign banks and deposit funds in accounts.

### Share Capital

As at the date of this Base Prospectus, the Bank's share capital is PLN 1,250,000,000 and is divided into 1,250,000,000 Existing Shares with a nominal value of PLN 1 each, including 510,000,000 series A registered shares, 105,000,000 series B bearer shares, 385,000,000 series C bearer shares and 250,000,000 series D bearer shares. The conversion of series A shares into bearer shares and the transfer of these shares shall require consent expressed in a resolution of the Council of Ministers. Pursuant to § 6 section 2 of the Statute, the conversion into bearer shares or transfer of series A shares upon obtaining such consent shall result in the expiration of the restrictions provided for in the preceding sentence in respect of the shares that are subject to such conversion into bearer shares or transfer, to the extent such consent was granted. Furthermore, registered series A shares may be converted into bearer shares only in the case where they have been dematerialised within the

meaning of the Act on Trading in Financial Instruments. Series B shares, series C shares and series D shares were registered in the depositary system maintained by the NDS. The same rights and obligations are attached to all shares. None of the shares entitle the holders to any preference, specifically as to voting rights or dividends.

### Shareholder structure

The State Treasury owns 512,406,277 shares of the Bank's share capital comprising 40.99% of the total voting rights at the Bank's general meeting. In addition, Bank Gospodarstwa Krajowego, wholly-owned by the State Treasury, owns 10.25% of the total voting rights at the Bank's general meeting. On 21 April 2010 the State Treasury and BhK entered into an agreement with regard to the joint exercise of the rights from their shares. The remaining 48.76% of voting rights belong to minority shareholders (both individual and institutional). There are no other shareholders holding more than five per cent. of the Bank's share capital.

Shareholder	Shares owned		Votes at the General Meeting
	Number	%	%
State Treasury .....	512,406,277	40.99	40.99
Bank Gospodarstwa Krajowego* .....	128,102,731	10.25	10.25
Other Shareholders .....	609,490,992	48.76	48.76

Source: the Bank

\*Wholly owned by the State Treasury

The Commercial Companies Code prohibits the General Shareholders' Meeting and the Supervisory Board from issuing binding instructions to the Management Board as to the conduct of the Bank's affairs. Furthermore, Management and Supervisory Board members are liable to the Bank for damage caused through negligence or an action which is against the law or in breach of the Bank's Statutes.

The Bank's management is not aware of any arrangements which may at a subsequent date result in a change of control of the Bank.

### Control over the Bank

The State Treasury represented by the Minister of the State Treasury as the majority shareholder (directly or indirectly through Bank Gospodarstwa Krajowego) exercises the shareholder's rights set forth in the Commercial Companies Code and in the Statute. Other rights entrusted with the State Treasury, including ownership supervision, are governed by separate laws and regulations, which are not contrary to the Commercial Companies Code and the Statute. The Statute does not contain provisions which specifically prevent the possible abuse of control by the Bank's majority shareholder.

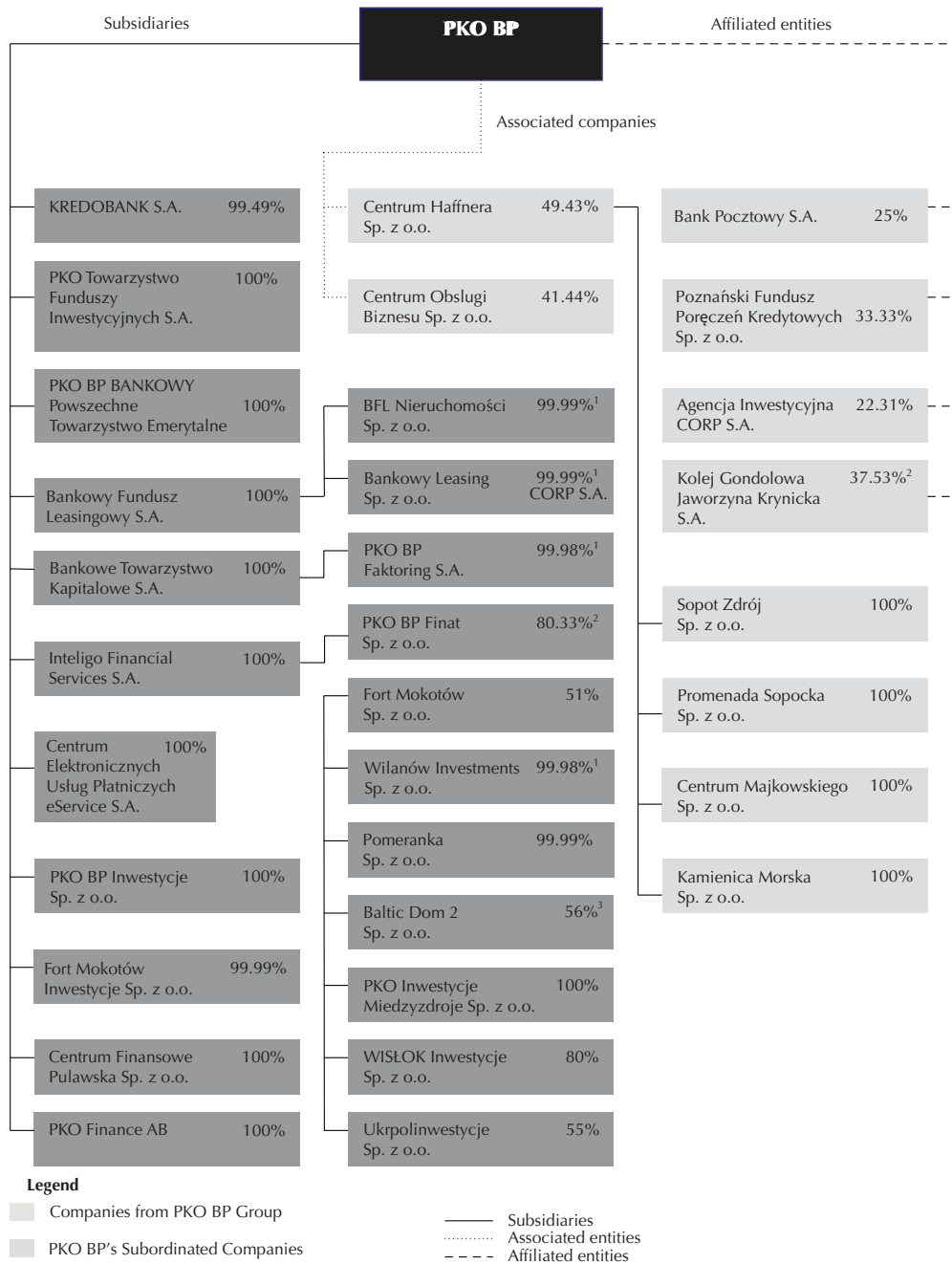
The Statute grants special rights to the shareholder of the Bank who is individually and in its own name authorised to exercise the voting rights from the largest number of Shares at the General Meeting at which members of the Supervisory Board are elected (the "**Eligible Shareholder**").

Pursuant to the Statute, the Eligible Shareholder determines the number of members of the Supervisory Board, including in elections by separate groups. Furthermore, the Eligible Shareholder is exclusively entitled to present its member candidates of the Supervisory Board in the number determined in accordance with the formula set out in § 11 section 3 of the Statute. Nominations for the remaining members of the Supervisory Board may be recommended by all the shareholders, including the Eligible Shareholder. Detailed rules concerning nominations for members of the Supervisory Board and the election of members of the Supervisory Board are set out in § 11 of the Statute.

## PKO BP Group

As at the date of this Base Prospectus, the Group consists of the Bank and 22 entities directly or indirectly controlled by the Bank. The object of the activity carried out by companies from the Group includes: supporting of the core areas of the Bank's business in the performance of sales tasks through supplementing its offer. The organisation of the Group allows for the provision of an enhanced scope of services and the sale of a larger number of products as well as soliciting new clients through cross-selling. Furthermore, some entities from the Group provide services to the Bank (such as Centrum Finansowe Puławska or Inteligo).

The scheme below presents the structure of the Group and the Bank's subordinated companies as of 31 December 2009:



<sup>1</sup> – the other shareholders of the company is PKO BP, holding 1 share

<sup>2</sup> – the other shareholders are PKO BP BANKOWY Towarzystwo Emerytalne S.A. (19.67% of the share capital) and the Bank (1 share)

<sup>3</sup> – On 7 April 2010 the company changed its name to PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.

Additional comments:

Kolej Gondolowa Jaworzyna S.A. has been designated for sale and is evidenced in the Bank's books among the non-current assets held for sale.

## **The Bank's Principal Subsidiaries**

General information on the Bank's subsidiaries is presented below.

### ***KREDOBANK S.A.***

The Bank holds 99.49% of the shares in the share capital of KREDOBANK, which entitles it to exercise 99.49% of the votes at the general meeting of shareholders.

#### *Basic information:*

Name and legal form	KREDOBANK S.A.
Registered office:	Sacharowa 78A, 79026 Lviv, Ukraine
Share capital	UAH 1,550,969,469.16
Principal object of the company:	Banking activity

### ***PKO Towarzystwo Funduszy Inwestycyjnych S.A.***

The Bank holds 100% of the shares in the share capital of PKO TFI, which entitles it to exercise 100% of the votes at the general meeting of shareholders.

#### *Basic information:*

Name and legal form:	PKO Towarzystwo Funduszy Inwestycyjnych S.A.
Registered office:	Grójecka 5, 02-019 Warsaw, Poland
Share capital:	PLN 18,000,000
Principal object of the company:	Creation and management of investment funds

### ***PKO BP BANKOWY Powszechne Towarzystwo Emerytalne S.A.***

The Bank holds 100% of the shares in the share capital of PTE BANKOWY, which entitles it to exercise 100% of the votes at the general meeting of shareholders.

#### *Basic information:*

Name and legal form:	Powszechne Towarzystwo Emerytalne BANKOWY S.A.
Registered office	Kolejowa 5/7, 01-217 Warsaw, Poland
Share capital:	PLN 260,000,000
Principal object of the company:	Management of an open-end pension fund

### ***Bankowy Fundusz Leasingowy S.A.***

The Bank holds 100% of the shares in the share capital of Bankowy Fundusz Leasingowy, which entitles it to exercise 100% of the votes at the general meeting of shareholders.

#### *Basic information:*

Name and legal form:	Bankowy Fundusz Leasingowy S.A.
Registered office:.	Tymienieckiego 30A, 90-350 Łódź, Poland
Share capital:	PLN 70,000,000
Principal object of the company:	Operational and financial leasing of tangible and real estate assets; the special services provided by Bankowy Fundusz Leasingowy are: BanCar Leasing (leasing of cars), BanMasz Leasing (leasing of construction equipment and building machinery) and Bankowy Wynajem (long-term lease of cars and car fleet management)

### ***Bankowe Towarzystwo Kapitałowe S.A.***

The Bank holds 100% of the shares in the share capital of Bankowe Towarzystwo Kapitałowe, which entitles it to exercise 100% of the votes at the general meeting of shareholders.

#### *Basic information:*

Name and legal form:	Bankowe Towarzystwo Kapitałowe S.A.
Registered office:	Bitwy Warszawskiej 1920 r. 7, 02-366 Warsaw, Poland
Share capital:	PLN 21,243,900
Principal object of the company:	Rendering services in favour of other Group entities, including payroll, human resources and accounting services; factoring services through its subsidiary, PKO BP Faktoring S.A.

### ***Inteligo Financial Services S.A.***

The Bank holds 100% of the shares in the share capital of Inteligo, which entitles it to exercise 100% of the votes at the general meeting of shareholders.

#### *Basic information:*

Name and legal form	Inteligo Financial Services S.A.
Registered office	Al. Armii Ludowej 26, 00-609 Warsaw, Poland
Share capital:	PLN 99,528,069
Principal object of the company:	Electronic banking services; the company creates a platform for the development of PKO BP e-services, including the service of bank accounts and the sale of other products via interactive communication channels.

### ***Centrum Elektronicznych Usług Płatniczych eService S.A.***

The Bank holds 100% of the shares in the share capital of CEUP eService, which entitles it to exercise 100% of the votes at the general meeting of shareholders.

#### *Basic information:*

Name and legal form:	Centrum Elektronicznych Usług Płatniczych eService S.A.
Registered office:	Jana Olbrachta 94, 01-102 Warsaw, Poland
Share capital:	PLN 56,000,000
Principal object of the company	Processing of information regarding payment transactions at retail and service outlets and management of the debit and credit card acceptance network, development and implementation of additional services offered on the basis of the point of sale (POS) terminals

### **PKO BP Inwestycje Sp. z o.o.**

The Bank holds 100% of the shares in the share capital of PKO BP Inwestycje, which entitles it to exercise 100% of the votes at the meeting of shareholders.

#### *Basic information:*

Name and legal form:	PKO BP Inwestycje Sp. z o.o.
Registered office:	Puławska 15, 02-515 Warsaw, Poland
Share capital:	PLN 4,500,000
Principal object of the company:	Construction and real estate development activity

### **Fort Mokotów Inwestycje Sp. z o.o.**

The Bank holds 99.99% of the shares in the share capital of Fort Mokotów Inwestycje Sp. z o.o., which entitles it to exercise 99.99% of the votes at the meeting of shareholders. The remaining shares in Fort Mokotów Inwestycje Sp. z o.o. are held by PKO BP Inwestycje Sp. z o.o.

#### *Basic information:*

Name and legal form:	Fort Mokotów Inwestycje Sp. z o.o.
Registered office:	Puławska 15, 02-515 Warsaw, Poland
Share capital:	PLN 43,551,000
Principal object of the company:	Development of mixed residential and office project in city centre of Warsaw

### **Centrum Finansowe Puławska Sp. z o.o.**

The Bank holds 100% of the shares in the share capital of Centrum Finansowe Puławska, which entitles it to exercise 100% of the votes at the meeting of shareholders.

#### *Basic information:*

Name and legal form:	Centrum Finansowe Puławska Sp. z o.o.
Registered office:	Puławska 15, 02-515 Warszawa, Poland
Share capital:	PLN 78,808,000
Principal object of the company:	Management of the building "Centrum Finansowe Puławska" at ul. Puławska 15 in Warsaw

### **PKO Finance AB**

The Bank holds 100% of the shares in the share capital of PKO Finance AB., which entitles it to exercise 100% of the votes at the meeting of shareholders.

#### *Basic information:*

Name and legal form:	PKO Finance AB
Registered office:	c/o AB 1909 Corporate Services, Norrlandsgatan 18, 11143 Stockholm, Sweden
Share capital:	SEK 500,000
Principal object of the company:	Special purpose vehicle (SPV) established in order to raise funds for Bank deriving from issue of Eurobonds, planned in that time. As of 31 December 2009 the company has not started its statutory activities yet.

### ***Other Bank's Subsidiaries***

General information on the Bank's significant subsidiary – Bank Pocztowy S.A. – is presented below.

The Bank holds 25% plus one share in the share capital of Bank Pocztowy S.A., which entitles it to exercise 25% plus one vote at the general meeting.

#### *Basic information:*

Name and legal form	Bank Pocztowy S.A.
Registered office:	Jagiellońska 17, 85-959 Bydgoszcz, Poland
Share capital:	PLN 97,290,400
Principal object of the company:	Banking activity

## MANAGEMENT AND CORPORATE GOVERNANCE

### **Management**

In accordance with the Commercial Companies Code and the Banking Law, the Bank is managed and supervised by the Management Board and the Supervisory Board. The description of the Management Board and the Supervisory Board herein has been prepared based on the Commercial Companies Code, the Banking Law, the Statute and the By-Laws of the Management Board and Supervisory Board as at the date of this Base Prospectus.

### **Management Board**

The governing body of the Bank is the Management Board.

#### *Composition*

Pursuant to the Statute, the Management Board consists of three to nine members, including the president of the Management Board, the vice-president of the Management Board and other members.

Members of the Management Board are appointed for a joint three-year term. The Supervisory Board appoints and dismisses, by secret vote, the president of the Management Board, and at the request of the president of the Management Board, the vice-presidents of the Management Board and other members of the Management Board. A member of the Management Board may be dismissed only for an important reason. The appointment of two members of the Management Board, including the president of the Management Board, requires the consent of the PFSA. The Supervisory Board applies to the PFSA for consent for the appointment of the two members. Furthermore, the Supervisory Board notifies the PFSA about the composition of the Management Board and any changes thereto immediately after an appointment or change to its composition. The Supervisory Board also informs the PFSA which members of the Management Board are specifically responsible for the management of credit risk and the internal audit unit. Currently, the consent of the PFSA for the performance of the functions of the Management Board is granted to the vice-president of the Management Board, Krzysztof Dresler.

The Supervisory Board has the right to suspend, for important reasons, either all or selected members of the Management Board from the performance of their duties, and may delegate authority, for up to three months, to the members of the Supervisory Board to temporarily perform the duties of the members of the Management Board who were dismissed, have resigned or are unable for other reasons to perform their duties.

A member of the Management Board may also be dismissed or suspended from his duties by virtue of a resolution of the General Meeting.

#### *Powers of the Management Board*

The Management Board manages the Bank's affairs and represents the Bank. The authority of the Management Board include all matters not reserved by the provisions of law or the Statute for the authority of other governing bodies of the Bank.

Resolutions of the Management Board shall be required for all matters that go beyond the scope of the ordinary activities of the Bank. The Management Board shall adopt resolutions to: (i) define the strategy of the Bank; (ii) define the annual financial plans, including the conditions of their implementation; (iii) adopt organisational regulations and the principles of the division of authority; (iv) create and close permanent committees of the Bank and define their authority; (v) adopt the by-laws of the Management Board; (vi) adopt regulations concerning the management of special funds created from net profits; (vii) set the dates of dividend payments within the deadlines set by the General Meeting; (viii) appoint commercial proxies; (ix) define banking products and other banking

and financial services; (x) define the principles of participation of the Bank in companies and other organisations, taking into account § 15 section 1.12.c of the Statute; (xi) define the principles and functions of the internal audit system and the annual audit plans; and (xii) create, transform and dissolve organisational units of the Bank in Poland and abroad.

#### *Powers of the president of the Management Board*

The powers of the president of the Management Board include, specifically: (i) managing the work of the Management Board; (ii) convening and presiding over meetings of the Management Board; (iii) presenting the position of the Management Board to the governing bodies of the Bank and in external relations; (iv) determining the assignment of the individual areas of the Bank's operations to the members of the Management Board; (v) ensuring implementation of the resolutions of the Management Board; (vi) issuing instructions; (vii) presenting motions to the Supervisory Board for the appointment and dismissal of the vice-presidents and other members of the Management Board; and (viii) making decisions concerning the staffing of the positions reserved for his competence.

In particular the president of the Management Board is responsible for the matters related to supervision over the functions supporting the operation of the Bank's governing bodies and the matters related to supervision over the functions supporting the operation of the standing committees of the Bank and the matters related to internal audits, communication and promotion and legal matters.

During the absence of the president of the Management Board, his duties will be fulfilled by a member of the Management Board appointed by the president of the Management Board.

#### *Functioning*

The Management Board operates under its by-laws adopted by its resolution and approved by the Supervisory Board.

The Management Board makes decisions by way of resolutions. Resolutions of the Management Board are passed by an absolute majority of votes cast by those present at the meeting of the Management Board, except for a resolution on appointing a commercial proxy, which requires all members of the Management Board to vote in favour of the resolution. In case of a tie, the president of the Management Board casts the deciding vote.

Representations on behalf of the Bank are made by: (i) the president of the Management Board acting individually; (ii) two members of the Management Board acting jointly, or one member of the Management Board acting jointly with a commercial proxy; or (iii) attorneys acting individually or jointly, to the extent of the power of attorney granted.

#### *Members of the Management Board*

As of the date of this Base Prospectus, the Management Board consists of seven members.

The table below presents a list of the members of the Management Board, their age, position, the date their current term began and the expiration date of their current term of office.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Date the current term began</b>	<b>Expiration of term of office</b>
Zbigniew Jagiełło	46	President of the Management Board	1 October 2009*	20 May 2011
Bartosz Drabikowski	39	Vice-President of the Management Board in charge of Finance, Accounting and Settlements	20 May 2008	20 May 2011
Krzysztof Dresler	36	Vice-President of the Management Board in charge of Risk and Debt Recovery	1 July 2008**	20 May 2011
Jarosław Myjak	55	Vice-President of the Management Board in charge of Corporate Markets	15 December 2008	20 May 2011
Wojciech Papierak	42	Vice-President of the Management Board in charge of Retail Markets	1 July 2008	20 May 2011
Jakub Papierski	38	Vice-President of the Management Board in charge of Investment Banking	22 March 2010	20 May 2011
Mariusz Zarzycki	42	Vice-President of the Management Board in charge of Information Technology and Services	1 September 2008	20 May 2011

\* The Supervisory Board appointed Zbigniew Jagiełło to perform the function of the President of the Management Board on 14 September 2009 and at the same time entrusted him with the task of performing the duties of President of the Management Board as of 1 October 2009 until the PFSA consents for him to perform the function of the President of the Management Board which occurred on 13 April 2010.

\*\* On 27 October 2008 the PFSA consented to the appointment of Krzysztof Dresler as a member of the Management Board.

A brief description of the qualifications and professional experience of the members of the Management Board is presented below.

#### *Zbigniew Jagiełło*

Zbigniew Jagiełło served as Chief Executive Officer and President of the management board at Reverentia Sp. z o.o. from 1991 - 1994. From 1995 to 1996 he was the head of the financial services office at Pioneer Pierwsze Polskie Towarzystwo Funduszy Inwestycyjnych S.A. From November 1996 to June 1997 he served as Senior Inspector in the Capital Investments Department of PKO BP, where

he was responsible for creating PKO/Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A. He consequently served as the Vice President of the management board of Pekao until May 2000. From 2000 - 2009, he was the president of the management board of Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. (created as a result of a merger of Pekao/Alliance Towarzystwo Funduszy Inwestycyjnych S.A. with Pioneer Pierwsze Polskie Towarzystwo Funduszy Inwestycyjnych S.A.). Furthermore, between 2001 and 2009 Zbigniew Jagiełło worked at Pioneer Pekao Investment Management S.A., where he was the vice president, until February 2005, and then the President of the management board.

Zbigniew Jagiełło graduated from the Wrocław University of Technology (Politechnika Wrocławska) in 1991 with the degree of magister engineer of information technology. In 2005, he graduated from the Post-Graduate Business Management Studies school of the University of Gdańsk, Gdańska Fundacja Kształcenia Menedżerów (the Gdańsk Foundation for Manager's Education) and the Rotterdam School of Management, where he received Master's of Business Administration.

#### *Bartosz Drabikowski*

Bartosz Drabikowski began his professional career at the Ministry of Finance, where, between 1998 and 2006 he served as advisor to the Minister, Deputy Director and Financial Institutions Department Director. From 2006 to 2008 he served as a member of the Management Board of the National Clearing House. He also served as a member of the Commission for Banking Supervision (2004-2005), a member of the Polish Securities and Exchange Commission (2004-2005), a deputy member of the Payment System Board at the NBP (2002-2005), a member of the supervisory board of the NDS (2002-2004), a member of the Bank Guarantee Fund Council (2004-2007) and a member of the Supervisory Board of the Polish Security Printing Works (1998-2006). He has also served as a member of many institutions of the EU, including the Financial Services Committee (European Council) (2003-2005), European Banking Committee (2003-2005) and the European Securities Committee (European Commission) (2003-2005).

Bartosz Drabikowski graduated from the Technical University of Łódź, the Polish National School of Public Administration, the Warsaw School of Economics, the Polish Academy of International Affairs and the University of Illinois at Urbana – Champaign. He attended numerous academic training courses at Deutsche Bundesbank, Deutsche Börse AG, Deutsche Ausgleichsbank and Rheinische Hypothekenbank. He received a scholarship from the German Marshall Fund of the United States and participated in many training courses organized by the European Commission and the IMF, among others.

#### *Krzysztof Dresler*

Krzysztof Dresler has worked at the National Depository for Securities from 1996 - 2001. In March 2001, he joined PKO BP as Director of the Financial Risk Department and subsequently worked as Director of the Planning and Controlling Department. Since March 2007, he worked as Chief Financial Officer in Xelion Doradcy Finansowi, a unit of the UniCredit Group. Beginning in May 2008 he has served as Managing Director, overseeing the management of assets and liabilities at Pekao S.A.

Krzysztof Dresler graduated from the Faculty of Finance and Banking school of the Warsaw School of Economics. Since 1998, he has been working for the Warsaw School of Economics, specializing in monetary and currency policies, as well as globalization of financial markets. He is a member of the Global Association of Risk Professionals and the Professional Risk Management International Association, as well as the Polish Association of Business Economists. Additionally, he interned at the Depository Trust Company in New York, where he completed courses for investment advisors. He completed a Chartered Financial Analysts (CFA) course and a Chief Financial Officers course. He also completed a course for managers based on the MBA program "Management for Business Leadership" designed by the Business Promotion Institute and the University of New Brunswick.

### *Jarosław Myjak*

After 8 years of tenure as a scholar at the Law School of the Adam Mickiewicz University in Poznań, Jarosław Myjak started his professional career at the Law Offices of Altheimer & Gray, where he worked as an attorney and legal adviser from 1991-1994. Between 1995 and 2004 he served at the Management Board of Commercial Union Poland Life Assurance Company, presently AVIVA, as a member of the Management Board (1995), First Vice President (1996-1997), and was subsequently appointed President of the Management Board (1998-2004) and President of Commercial Union/AVIVA Group in Poland and Lithuania (2000-2004). He was instrumental in launching and developing Commercial Union /AVIVA/ insurance, long term savings and pension fund business in Poland and Lithuania. He served as a Chairman of the Supervisory Boards of the Commercial Union Group's companies in Poland and Lithuania in the years 1998-2004, as a member of the Supervisory Board of Citibank Handlowy S.A. (2004 -2006), as a member of the Polish Business Roundtable (1998-2004) and as the Vice President of the Management Board of the Polish Chamber of Insurance (1998-2004). He also served as Vice President of the Polish Confederation of Private Employers "Lewiatan" (2004-2007) and as the founder and President of the Association of Insurance Capital Groups at the Polish Confederation of Private Employers "Lewiatan" (2000-2007). From October 2006 to February 2007 he served as the Vice President of the Management Board of the PKO BP. In the years 2007-2008 he worked as a legal adviser at the Law Office of Dewey & LeBoeuf Grzesiak Sp. k. He joined PKO BP Management Board as Vice-President in 2008.

Jarosław Myjak earned a summa cum laude Master's degree (M.A.) in American Studies at the Faculty of English Philology at the Adam Mickiewicz University in 1978 and subsequently, in 1981 he gained a summa cum laude Master's degree in Law at the Faculty of Law at the Adam Mickiewicz University in Poznań. Furthermore, in the years 1976-1977 he studied at the Faculty of Economics at the University of Toronto. Between 1982-1984, Jarosław Myjak completed a judge training program at the Regional Court in Poznań and in 1995 he was admitted to both the Warsaw Bar and the National Chamber of Legal Advisers. He has also participated in numerous training courses in law (including at Columbia Law School in the 1980s) and later in general management, at INSEAD/CEDEP (Fontainebleau, France) and Columbia Business School (New York).

### *Wojciech Papierak*

Wojciech Papierak began his professional career as an assistant in the Credit Department at Powszechny Bank Inwestycyjny S.A. from 1993 – 1995. From 1995 and 1998, he worked at Powszechny Bank Gospodarczy in Łódź as Chief Specialist in the Retail Banking Department and was Acting Director of the Customer Service Department at the Building Society established as a unit of Grupa Pekao S.A. From 1998 and 2000 he was Deputy Director and subsequently Director of the Retail Banking Department at PKO BP. From 2000 to 2003 he worked for BRE Bank S.A. as Director of the Department of Commercial Management for Retail Banking, as well as Director of the Department of Operational Support for Retail Banking. From 1999-2002 he served as a member of the Supervisory Board of the Credit Information Bureau in Warsaw. From 2001-2003 he served as Vice Chairman of the Supervisory Board of Bank Częstochowa S.A. in Częstochowa. From 2002-2006 he worked at the Settlement and Information Centre CERI Sp. z o.o. as a member of the Management Board, Managing Director and subsequently as President of the Management Board and Chief Executive Officer. Between November 2006 and June 2008 he worked as a member of the Management Board of Nordea Bank Polska S.A., in charge of Operations, Logistics and Security. On 1 May 2009 he was appointed Member of the Board of Directors of Visa Europe Board until 30 April 2011 and since 1 May 2009 he has been serving as Vice Chairman of Executive Committee of Visa Polska. Additionally, since 7 May 2009 he has been Vice Chairman of the Executive Committee of the European Mortgage Federation (EMF).

Wojciech Papierak graduated from the Faculty of Law and Administration school at the University of Łódź (1993).

### *Jakub Papierski*

Jakub Papierski is a graduate of Warsaw School of Economics (SGH) and is CFA charterholder (Chartered Financial Analyst). He started his career in 1993 in a consulting firm Pro-Invest International. In 1995-96 he worked in Brokerage House ProCapital, then in Creditanstalt Investment Bank. In March 1996 he joined Deutsche Morgan Grenfell / Deutsche Bank Research dealing with the banking sector in Central and Eastern Europe. From November 2001 to September 2003 he worked at Bank Pekao SA as the Executive Director of the Financial Department, directly supervising the financial and tax policy, management information systems as well as treasury and investment portfolios, and also was a member of the Asset and Liability Management Committee of the Bank. In October 2003 he became President of the Management Board of CDM Pekao S.A., brokerage and investment subsidiary of Bank Pekao, and since September 2006 he was also Deputy Chairman on the Supervisory Board of Pioneer Pekao TFI SA. On May 2009 was appointed by the Supervisory Board of Allianz Bank Poland SA for the position of President of the Management Board of the Bank and in October 2009 he was permitted for the position by Financial Supervision Authority in October 2009. He is also the member of the Supervisory Board of TFI Allianz Polska SA. In 2005-2009 Mr. Jakub Papierski was a Chairman of the Program Council of Academy of Leaders at the Lesław Paga's Capital Market Foundation and remains its active member.

### *Mariusz Zarzycki*

Mariusz Zarzycki began his professional career in 1992 at Bank Przemysłowy S.A. in Łódź, where he worked in the following departments: the Organizational and Legal Department, the Credit Department and the IT Department. In the years 1993-1998 he worked for Powszechny Bank Gospodarczy S.A. – the Group of Pekao S.A. as Deputy Director of the Organizational Department and subsequently as Director of the Support Department, the Banking Technology Department and the IT Department. In the years 1998-2008 he worked in BRE Bank S.A., among others, as Deputy Director of IT and Telecommunication Department, Director of Retail Banking IT Department and Director of IT Development Department. He also worked as Director for Information Technology and Finance for a project involving the construction of a new retail bank and as Project Manager responsible for the implementation of a new basic system for corporate and investment divisions at BRE Bank S.A. Between 2002 and 2008 he served as President of the Management Board of ServicePoint sp. z o.o. (an IT company from the group of BRE Bank S.A.)

Mariusz Zarzycki graduated from the Faculty of Economics at the University of Łódź (1991). He is also a graduate of the University of Stockholm, where he majored in Banking and Finance.

The business address of all members of the Management Board is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, ul. Puławska 15, 02-515 Warszawa, Poland.

### ***Supervisory Board***

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

#### *Composition*

In accordance with the Statute, the Supervisory Board consists of six to eleven members appointed for a joint three-year term. The number of members of the Supervisory Board shall be set by the Eligible Shareholder, except when a motion for election of the Supervisory Board by vote at separate groups is presented.

Members of the Supervisory Board are appointed and dismissed by the General Meeting. The detailed rules for appointing candidates to the Supervisory Board and the election of the members of the Supervisory Board are set forth in § 11 of the Statute. The Chairman and the Deputy Chairman of the Supervisory Board shall be appointed by the Eligible Shareholder from among the elected members of the Supervisory Board, including in the case where the Supervisory Board is elected by voting through separate groups. The Supervisory Board may elect a Secretary from among its members.

## *Powers*

The Supervisory Board exercises regular supervision over the Bank's operations in all areas of its activity. The responsibilities of the Supervisory Board include an assessment of the Management Board report on the operations of the Bank and an assessment of the financial statements of the Bank for the previous financial year with regard to their compliance with the books of account and other documents, as well as their actual status. The Supervisory Board is also responsible for an assessment of the Management Board motions on the distribution of profit or coverage of loss and the submission to the General Meeting of an annual written report on the results of such assessment. The Supervisory Board represents the Bank in agreements and disputes with members of the Management Board, unless these powers are entrusted to an attorney-in-fact appointed by a resolution of the General Meeting.

Pursuant to the Statute, the powers of the Supervisory Board also include adopting resolutions related to the following matters: (i) approving the strategy of the Bank adopted by the Management Board; (ii) approving the annual financial plan adopted by the Management Board; (iii) appointing the entity to audit or review the consolidated and individual financial statements of the Bank; (iv) adopting the Rules and Regulations of the Supervisory Board; (v) adopting the regulations that set out the principles of granting credit, loans, bank guarantees and sureties to the members of the Management Board or the Supervisory Board and persons holding managerial positions at the Bank, as well as to the entities linked by participation or control with the members of the Management Board or the Supervisory Board and persons holding managerial positions at the Bank, in accordance with Article 79a of the Banking Law; (vi) adopting the by-laws concerning the use of the reserves; (vii) appointing and dismissing the president of the Management Board by secret vote; (viii) appointing and dismissing by secret vote the vice-presidents and other members of the Management Board upon a motion of the president of the Management Board; (ix) suspending, for important reasons, all of or selected members of the Management Board in the performance of their duties, and delegating the members of the Supervisory Board, for up to three months, to temporarily perform the duties of the members of the Management Board who were dismissed, resigned or are unable, for other reasons, to perform their duties; (x) granting consent to opening or closing branches abroad; (xi) approving the by-laws and regulations adopted by the Management Board and concerning the Management Board, the management of special funds created from net profits, and the organisation of the Bank; and (xii) applying to the PFSA for its consent to appoint two members of the Management Board, including the president of the Management Board.

In addition, the Supervisory Board expresses its opinion on: i) the acquisition and disposal of fixed assets with a value exceeding one-tenth of the equity of the Bank, excluding real property and rights of perpetual usufruct; ii) except for the acts referred to in § 9 section 1.5 of the Statute, the acquisition and disposal of real property, an interest in a real property or right of perpetual usufruct, or their encumbrance with a limited property right or making it available for use by a third party if the value of the real property or the right that is the object of such act exceeds one-tenth of the equity of the Bank; such consent is not required if the acquisition of real property, interest in a real property or right of perpetual usufruct takes place as a part of enforcement, bankruptcy or arrangement proceedings or any other agreement with a debtor of the Bank, as well as in the event of legal transactions concerning real property or rights acquired by the Bank in the manner described above; in such events the Management Board shall only be obliged to notify the Supervisory Board about the performed act; iii) the establishment of a company, subscription for or acquisition of shares, bonds convertible into shares or other instruments entitling it to acquire or subscribe for shares if the financial commitment of the Bank resulting from such act exceeds one-tenth of the equity of the Bank; iv) any transaction to be entered into between the Bank and an affiliated entity if the value of such transaction exceeds the PLN equivalent of EUR 500,000, except for typical and routine transactions concluded on an arm's length basis between affiliated entities when the nature and terms of such transactions are determined by the current operations of the Bank; v) the performance of any act by the Bank, as a result of which the sum of receivables of the Bank and the off-balance sheet commitments exposed to the risk of a state-owned legal person or a company with the State Treasury as the majority

shareholder and entities linked by participation or control with such legal person or company would exceed 5% of the equity of the Bank.

### *Functioning*

The Supervisory Board operates under the Rules and Regulations of the Supervisory Board which have been approved by the General Meeting.

Meetings are convened when necessary, however at least once a quarter. The Supervisory Board shall adopt resolutions in an open vote. A secret vote shall be ordered in personnel matters and at the request of at least one member of the Supervisory Board. The Supervisory Board takes resolutions by an absolute majority of votes when at least half of the members of the Supervisory Board are present, including the Chairman or the Deputy Chairman of the Supervisory Board, except for resolutions on the matters referred to in § 15 section 1 items 1-3, 5, 7-9 and 12 of the Statute, for which, except for the above quorum, a qualified majority of votes of two thirds is required. The members of the Supervisory Board who are concerned by the matter that is subject to the vote shall be excluded from the vote.

### *Committees of the Supervisory Board*

In accordance with the Rules and Regulations of the Supervisory Board, the Supervisory Board may establish permanent committees, the members of which shall perform their functions as members of the Supervisory Board delegated to perform the specific supervisory functions at the Bank. The detailed scope of activity of the given committee shall be set forth in a resolution of the Supervisory Board. The Supervisory Board may in particular establish the following permanent committees: (i) the remuneration committee; and (ii) the audit committee.

Ordinary committee meetings are convened by the chairman of a given committee either on his own initiative or at the request of a committee member or the Chairman of the Supervisory Board. Extraordinary committee meetings are convened by the Chairman of the Supervisory Board either on his own initiative or at the request of a member of the Supervisory Board or a member of the Management Board.

As of the date of this Base Prospectus the committees operating within the scope of the Supervisory Board included the Supervisory Board Audit Committee.

The Supervisory Board Audit Committee was established on 30 November 2006 by Supervisory Board resolutions in order to perform regular supervision over the financial audit of the Bank and the Group. The duties of this committee include, in particular: review of interim and annual financial statements of the Bank (stand-alone and consolidated), monitoring the work of the independent external auditors of the Bank, and preparing recommendations for the Supervisory Board concerning the evaluation of motions of the Management Board as to the distribution of profit (including, in particular, the dividend policy), issues of securities as well as appointment and remuneration of the independent external auditors of the Bank. The committee submits an annual report on its operation to the Supervisory Board in advance so that it can be considered in the annual assessment of the Bank's financial situation.

As of the date of this Base Prospectus the composition of the Supervisory Board Audit Committee was as follows: Mirosław Czekaj (Chairman of the Committee), Błażej Lepczyński (Vice-Chairman of the Committee) and Jan Bossak.

### *Members of the Supervisory Board*

As of the date of this Base Prospectus, the Supervisory Board consists of seven members.

The table below presents a list of the current members of the Supervisory Board, their age and position, the date their current term began and the expiration date of their current term of office.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Date the current term began</b>	<b>Expiration of term of office</b>
Cezary Banasiński	56	Chairman of the Supervisory Board	31 August 2009 (the date as of which the position of a member of the Supervisory Board is held - 20 April 2009)	20 May 2011
Tomasz Zganiacz	45	Deputy Chairman of the Supervisory Board	31 August 2009	20 May 2011
Błażej Lepczyński	40	Member of the Supervisory Board	20 April 2009	20 May 2011
Jan Bossak	64	Member of the Supervisory Board	26 February 2008	20 May 2011
Mirosław Czekaj	46	Member of the Supervisory Board	31 August 2009	20 May 2011
Ireneusz Fąfara	50	Member of the Supervisory Board	31 August 2009	20 May 2011
Alojzy Nowak	53	Member of the Supervisory Board	31 August 2009	20 May 2011

A brief description of the qualifications and professional experience of the current members of the Supervisory Board is presented below.

#### *Cezary Banasiński*

Since 1980 Cezary Banasiński has been a scholar at the Faculty of Law and Administration of the University of Warsaw. He served as Undersecretary of State at the Office of the Committee for European Integration (1999-2001) and was the President of the Antimonopoly Office (2001-2006). Moreover, in the years 2005-2006 he was a member of the Securities and Exchange Commission, a member of the Coordination Commission for Financial Conglomerates and a member of the Insurance and Pension Fund Supervisory Commission.

Cezary Banasiński graduated from the Faculty of Management in 1977 and the Faculty of Law and Administration of the University of Warsaw in 1980, earning a Magister degree in Organization and Management and a Magister degree in Law. Furthermore, in 1987 Mr Banasiński received the title of Doctor of Law from the Faculty of Law and Administration at the University of Warsaw.

The business address of Cezary Banasiński is Uniwersytet Warszawski, ul. Krakowskie Przedmieście 26/28, 00-927 Warsaw, Poland.

#### *Tomasz Zganiacz*

Between 1991 and 1998 Tomasz Zganiacz was a member of the academic and teaching staff of the Institute of Production Systems Organization at the Warsaw University of Technology. He held the positions of: assistant to the president of the management board of Mesat S.A. (1991-1992), director general of Aster City S.A. (1994), credit department manager in Societe Generale Succursale de Varsovie (1995-1996) and assistant to the president of the management board of Eurofund Management Polska Sp. z o.o. From 1999 to 2006 he worked for 7bulls.com S.A., in which he served as: development director (1999), financial director (2001-2002) and financial advisor to the

management board (2002-2006). From 1999 Tomasz Zganiacz worked in Pekpol S.A., where he served as: financial director (1999-2002), vice-president of the management board – financial director (2002-2003) and the liquidator – financial director of Pekpol S.A. in liquidation (2003). From 2004 to 2006 he was also a member of the management board and the financial director of Arksteel S.A. (on 31 December 2003 Pekpol S.A. changed its business name to Arksteel S.A.). From 2003 to 2006 he was the liquidator of Pekpol-bis S.A., and between 2006 and 2009 he served as the president of the management board of Triton Development S.A. (former 7bulls.com S.A.). Since 2009 Tomasz Zganiacz has been the Director of the Financial Institution Department in the Ministry of the State Treasury.

Tomasz Zganiacz graduated from the Faculty of Automotive and Construction Machinery Engineering of the Warsaw University of Technology (where in 1989 he earned a Magister In ynier degree in Mechanical Engineering) and the Faculty of Technology and Automation of the Warsaw University of Technology (where in 1991 he earned a Magister In ynier degree in Industry Organization). Furthermore, in 1993 Tomasz Zganiacz earned a degree of Master of Science in Business (an equivalent to an MBA) in the Business School (a joint venture of Warsaw University of Technology, London Business School, HEC School of Management Paris and Norwegian School of Economics and Business Administration).

The business address of Tomasz Zganiacz is Ministerstwo Skarbu Państwa, ul. Krucza 36/Wspólna 6, 00-522 Warsaw, Poland.

#### *Błażej Lepczyński*

Since 2003 Błażej Lepczyński has been working as an associate professor at the Faculty of Management of Gdańsk University. Moreover, since 1996 he has been working at the Gdańsk Institute for Market Economics, at which he has been the Head of the “Banking and financial markets” Research Area, since 2005.

Błażej Lepczyński graduated from the Faculty of Management of Gdańsk University in 1995, where he earned a Magister degree in Economics. Furthermore, in 2002 he completed his post-graduate studies in Banking and Finance, specializing in company value management on financial markets, which was organized by Nicolaus Copernicus University in Toru (jointly with the Gdańsk Academy of Banking). He received a Doctorate in Economic Sciences from Gdańsk University in 2003.

The business address of Błażej Lepczyński is Uniwersytet Gdański, Wydział Zarządzania, ul. Armii Krajowej 101, 81-824 Sopot, Poland.

#### *Jan Bossak*

Jan Bossak has been a Professor of Economics at the Warsaw School of Economics since 1992. From 1991 to 1992 he chaired the Polish-American Enterprise Fund. Furthermore, he was the President of Hevelius Management International sp. z o.o. (1994-1996) and acted as the President of Drugi Narodowy Fundusz Inwestycyjny S.A. (1995-1997). Between 1999 and 2003 he acted as the President of the investment bank Erste Securities Polska S.A. Jan Bossak was also an investment advisor to Petrochemia Płock S.A. (1997-1999) and has served on the supervisory boards of numerous companies, including PKO BP, Stilon S.A., FAMUR S.A. and Tarbud S.A. Moreover, he co-operated with the IMF and the World Bank for the organization of international conferences on the economy. He has also lectured on international economic relations at many foreign universities, including in Japan, the United Kingdom and the United States.

Jan Bossak graduated from the Faculty of Foreign Trade at the Main School of Planning and Statistics in Warsaw (currently the Warsaw School of Economics) in 1968, where he earned a Magister degree in Economics. During 1972-1974 he was awarded a scholarship from the government of Japan and completed a Ph.D. course at Osaka University. In 1975 he received the title of Doctor of Economics, specializing in international economic relations, and 1984 he earned a post-doctoral degree with habilitation from the Faculty of Foreign Trade at the Central School of Planning and Statistics in

Warsaw. With a view to improving his professional qualifications, Jan Bossak has participated in numerous training courses in finance and management.

The business address of Jan Bossak is Szkoła Główna Handlowa, Al. Niepodległości 162, 02-554 Warsaw, Poland.

#### *Mirosław Czekaj*

Mirosław Czekaj began his professional career in 1988 in BISP Co-operative Work Agency in Grudziądz where he served as the chief accountant until 1990. Between 1990 and 1992 he served as the deputy director for economic and commercial relations in the Military Armament Works in Grudziądz, and from 1992 to 2004 he was the city treasurer of the Szczecin City Hall. Mirosław Czekaj also served as vice-president of the management board of BGK (2004-2006) and president of the management board of Euro Fund Advisors Sp. z o.o., a company from the BGŻ S.A. Group (2006-2007). From 2005 to 2008 he was a member of the council of FIRE Fundacji Rozwoju Innowacji. Since 2007 he has served as the city treasurer in the Warsaw City Hall. Furthermore, Mirosław Czekaj is a member of the management board and the treasurer of the Union of Polish Metropolises.

Mirosław Czekaj graduated from the Nicolaus Copernicus University in Toruń, where he earned a Magister degree in Economics in 1988. In 1992 he completed a training program for auditors organized by the Accountants Association in Poland. In 2000 Mirosław Czekaj received the title of Doctor of Economics from the University of Szczecin. Furthermore, since 2007 he has attended training courses for auditors organized annually by the Accountants Association in Poland.

The business address of Mirosław Czekaj is Urząd Miasta st. Warszawy, ul. Miodowa 6/8, 00-251 Warsaw, Poland.

#### *Ireneusz Fąfara*

Ireneusz Fąfara began his professional career in 1985 working in energy sector companies as an export specialist, which he continued until 1990. In 1992 he was the head of the economic policy department in the Voivodship Office in Radom. Between 1992-1998 he worked for Bank Energetyki S.A. as a director of the financial policy department, director of the brokerage house and vice-president of the management board – the bank's director. From 1998 to 2007 he worked for the Social Insurance Office as a member of the management board and advisor to the president of the management board. Furthermore, Ireneusz Fąfara served on the supervisory boards of such companies as: Kompania Węglowa S.A., Centrum Informatyki Grupy PZU S.A., Koncern Energetyczny ENERGIA-OPERATOR S.A. and Korporacja Ubezpieczeń Kredytów Eksportowych S.A. From May 2007 to October 2009 he was the president of the management board of BGK. Currently, Ireneusz Fąfara is a member of the supervisory board of Grupa Lotos S.A. and the board of the National Health Fund.

Ireneusz Fąfara graduated from the University of Economics in 1983, where he earned a Magister degree in Economics. Furthermore, in 2003 he completed postgraduate studies in management at the Technical University of Łódź. With a view to improving his professional qualifications, Ireneusz Fąfara has participated in numerous international courses on finances, capital markets and pension systems organized by, *inter alia*, the Association of Polish Banks.

The business address of Ireneusz Fąfara is Bank Gospodarstwa Krajowego, Al. Jerozolimskie 7, 00-955 Warsaw, Poland.

#### *Alojzy Nowak*

Alojzy Nowak began his professional career in the Faculty of Management of the University of Warsaw, where from 1984 to 1987 he was an assistant lecturer and a senior assistant lecturer. Alojzy Nowak is the dean of the Faculty of Management of the University of Warsaw (since 2005), and the head of the Faculty of National Economy (since 2007) and the Department of International Economic Relations (since 1999) at the Faculty of Management of the University of Warsaw and the head of the

Faculty of Finances at the Leon Ko mi ski Business and Management School in Warsaw (since 1995). He has authored over 150 publications in Banking and International Economic Relations and is a member of academic curriculum boards and editorial boards of Polish and foreign industry journals such as "Gazeta Bankowa", "Journal of Interdisciplinary Economics", "Cross Cultural Management", "Yearbook on Polish European Studies" and "Problemy Zarządzania". Alojzy Nowak has lectured at Polish and foreign universities (in the United States of America, in the UK, France, Germany and Russia).

Alojzy Nowak graduated from the Faculty of Foreign Trade at the Main School of Planning and Statistics in Warsaw (currently the Warsaw School of Economics), where he earned a Magister degree in Economics in 1984. In 1991 he received the title of Doctor of Economics and in 1995 he earned a post-doctoral degree with habilitation from the Faculty of Management of the University of Warsaw. Furthermore, he studied Banking and Finance at the Exeter University in the UK (1992) and Economics at the University of Illinois at Urbana Champaign in the United States (1991) and at the Free University of Berlin in Germany (1994). Alojzy Nowak has been a Professor of Economics at the University of Warsaw since 2002. His academic interests focus on banking, international economic relations and risk management in financial markets. Alojzy Nowak has been awarded numerous prizes for his academic achievements, including awards granted by the Minister of National Education.

The business address of Alojzy Nowak is Uniwersytet Warszawski, Wydział Zarządzania, ul. Krakowskie Przedmieście 26/28, 00-927 Warsaw, Poland.

#### ***Existing Shares or Stock Options Owned by Members of the Management Board and the Supervisory Board***

As of the date of this Base Prospectus, from among members of the Management Board or the Supervisory Board the Shares are held by Zbigniew Jagiełło, who holds 2,500 shares and Wojciech Papierak who holds 3,283 shares.

Except for Zbigniew Jagiełło and Wojciech Papierak, no other member of the Management Board or the Supervisory Board owns any Existing Shares in the Bank or the Bank's stock options.

As at the date of this Base Prospectus, there are no restrictions on the disposal of Shares held by members of the Management Board and the Supervisory Board.

#### **WSE Best Practices**

In accordance with the WSE Rules, the Bank as a public company listed on the Warsaw Stock Exchange should observe the principles of corporate governance set out in the WSE Best Practices. The WSE Best Practices is a set of recommendations and rules of procedure for governing bodies of publicly-listed companies and their shareholders. The WSE Rules and resolutions of the WSE management board and its council set forth the manner in which publicly-listed companies disclose information on their compliance with corporate governance rules and the scope of information to be provided. If a certain rule is not complied with by a publicly-listed company on a permanent basis or has been breached incidentally, such publicly-listed company is required to disclose this fact in the form of a current report. Furthermore, a publicly-listed company is required to attach to its annual report information on the scope in which it complied with the WSE Best Practices in a given financial year.

The Bank strives to ensure the maximum transparency of its operations, the best quality of communication with its investors and the protection of its shareholders' rights, also in the fields which have not been governed by law. Therefore, the Bank has taken necessary actions to observe all of these rules to the fullest extent possible. In the opinion of the Management Board, the Bank has not deviated from the rules included in the WSE Best Practices.

## DESCRIPTION OF THE ISSUER

### Establishment, Duration and Domicile

The Issuer's legal and commercial name is PKO Finance AB (publ). The Issuer changed its name from Aktiebolaget Grundstenen 108756 to PKO Finance AB (publ) on 17 July 2008.

The Issuer was incorporated in the Kingdom of Sweden as a public limited liability company registered in the Swedish Companies Register under number 556693-7461 on 14 December 2005 for indefinite time. The Issuer has registered itself pursuant to the Act on notification regarding certain financial activities (*Sw: Lag (1996:1006) om anmälningsplikt avseende viss finansiell verksamhet*).

### Business of the Issuer

The Issuer's registered office is c/o AB 1909 Corporate Services, Norrlandsgatan 18, 111 43 Stockholm, Sweden and the telephone number of its registered office is +46 8-545 322 70.

The main object of the Issuer is to carry out, directly or indirectly either on its own account or for the account of third parties or in agreement with third parties, the activity of financing for the purposes of the development, and the needs, of the Bank and the Group in accordance with applicable laws. Consequently, the Issuer is a special purpose vehicle existing for the sole purpose of issuing the Notes and other notes provided that such other notes are issued in compliance with the relevant limitations as provided in the Terms and Conditions of the Notes. The Issuer has no subsidiaries and no employees.

The Issuer has been dormant since its incorporation and has not engaged in any material activities.

The Issuer has produced financial statements for the financial years ended 31 December 2008 and 31 December 2009, and these financial statements were audited by Öhrlings PricewaterhouseCoopers. Sussanne Sundvall, a registered auditor qualified to practice in the Kingdom of Sweden, is the responsible auditor.

### Recent Events

All shares in the Issuer were bought by the Bank from Svenska Standardbolag AB on 27 June 2008.

There has been no material adverse change in the financial position or prospects of the Issuer since the date of its last financial statements, that is, 31 December 2009. In addition, there has been no significant change in the capitalisation of the Issuer since its incorporation nor has it incurred any indebtedness in the nature of borrowings, guarantees or contingent liabilities since the date of its incorporation.

### Management of the Issuer

The Issuer has a board of directors consisting of three directors:

<b>Name</b>	<b>Position</b>	<b>Director Since</b>	<b>Term Expires</b>
Artur Osytek	Chairman	27.06.2008	At the next annual meeting in 2010
Magnus Sundström	Member	27.06.2008	At the next annual meeting in 2010
Iwona Jankowska	Member	27.06.2008	At the next annual meeting in 2010

Source: the Swedish Companies Registration Office

The business address for all the members of the board of directors is c/o AB Corporate Services, Norrlandsgatan 18, 111 43 Stockholm, Sweden.

There are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties.

## **Share Capital and Shareholders Structure**

The Issuer has fully paid up share capital of SEK 500,000 made up of 5,000 shares, each with a quota of SEK 100 per one share.

All shares are owned by the Bank. As a sole shareholder, the Bank may exercise control over the Issuer, in particular, to adopt resolutions as to the appointment of the members of the board of directors of the Issuer.

## SENIOR FACILITY AGREEMENT

*The following is the text of the Senior Facility Agreement*

**THIS SENIOR FACILITY AGREEMENT** originally made on 31 July 2008 and amended and restated on 23 April 2010 between:

- (1) **POWSZECHNA KASA OSZCZ DNO CI BANK POLSKI SPÓŁKA AKCYJNA**, a company established under the laws of the Republic of Poland whose registered office is at Puławska 15, Warsaw, Poland (the "**Borrower**"); and
- (2) **PKO FINANCE AB (PUBL)**, a public company with limited liability incorporated in Sweden whose registered office is at c/o, AB 1909 Corporate Services, Norrlandsgatan 18, 11143 Stockholm, Sweden (the "**Lender**").

### WHEREAS:

- (A) The Lender and the Borrower entered into a Senior Facility Agreement dated 31 July 2008 (the "**Original Senior Facility Agreement**"). The Lender and the Borrower wish to amend and restate the Original Senior Facility Agreement on the terms of this Agreement.
- (B) The Lender has, at the request of the Borrower, agreed to make available to the Borrower senior and subordinated loan facilities in the maximum amount of the Programme Limit (as defined below). The senior loan facility is to be made available on the terms and subject to the conditions of this Agreement, as amended and supplemented in relation to each Senior Loan (as defined below) by a senior loan supplement dated the relevant Closing Date substantially in the form set out in Schedule 1 hereto (each, a "**Senior Loan Supplement**").
- (C) It is intended that, concurrently with the extension of any Senior Loan under this senior loan facility, the Lender will issue certain loan participation notes in the same nominal amount and bearing the same rate of interest as such Senior Loan.

Now it is hereby agreed as follows:

## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Agreement (including the recitals), the following terms shall have the meanings indicated:

"**Account**" means an account in the name of the Lender with the Principal Paying Agent as specified in the relevant Senior Loan Supplement;

"**Account Bank Agreement**" means the amended and restated account bank agreement dated 23 April 2010 relating to the Programme, as may be amended, modified, supplemented and/or restated from time to time between the Lender, the Borrower, the Trustee and the account bank named therein;

"**Agency**" means any agency, authority, central bank, department, government, legislature, minister, official or public statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Agency Agreement**" means the amended and restated paying agency agreement dated 23 April 2010 relating to the Programme, as may be amended, modified, supplemented and/or restated from time to time between the Lender, the Borrower, the Trustee and the agents named therein;

**“Agreement”** means this Agreement as originally executed or as it may be amended from time to time;

**“Auditors”** means the auditors of the Borrower’s IFRS financial statements (consolidated if the same are then prepared) or, if they are unable or unwilling to carry out any action requested of them under this Agreement, such other internationally recognised firm of accountants as may be nominated by the Borrower;

**“Base Prospectus”** means (unless otherwise specified) the most recently published Base Prospectus as approved by the Luxembourg *Commission de Surveillance du Secteur Financier* prepared in connection with the Programme;

**“Borrower Account”** means an account in the name of the Borrower as specified in the relevant Senior Loan Supplement for receipt of Senior Loan funds;

**“Borrower Agreements”** means this Agreement, the Subordinated Facility Agreement, the Agency Agreement, the Account Bank Agreement and the Dealer Agreement and, in relation to each Senior Loan, the foregoing agreements together with the relevant Subscription Agreement and Senior Loan Supplement;

**“Business Day”** means (save in relation to Clause 4 (*Interest*)) a day (other than a Saturday or Sunday) on which (a) banks and foreign exchange markets are open for business generally in the relevant place of payment, and either (b) if on that day a payment is to be made in a Specified Currency other than euro hereunder, a day on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency or (c) if on that day a payment is to be made in euro hereunder, a day on which the TARGET System is operating;

**“Calculation Agent”** means, in relation to a Senior Loan, Citibank, N.A., or any person named as such in the relevant Senior Loan Supplement or any successor thereto;

**“Call Option”**, if applicable, means the call option granted to the Borrower pursuant to the relevant Senior Loan Supplement and the Conditions of the relevant Series of Notes;

**“Call Option Commencement Date”**, if applicable, has the meaning given to it in the relevant Senior Loan Supplement;

**“Closing Date”** means the date specified as such in the relevant Senior Loan Supplement;

**“Conditions”** has the meaning ascribed to it in the Trust Deed;

**“Day Count Fraction”** has the meaning specified as such in the relevant Senior Loan Supplement;

**“Dealer Agreement”** means the amended and restated dealer agreement relating to the Programme dated 23 April 2010 as may be amended, modified, supplement and/or restated from time to time between the Lender, the Borrower, the Joint Lead Arrangers and the other dealers appointed pursuant to it;

**“Definitive Notes”** means the definitive notes in fully registered form representing the Notes to be issued in limited circumstances pursuant to the Trust Deed;

**“Dollars”, “\$”, “US dollars” and “US\$”** means the lawful currency of the United States of America;

**“Early Redemption Amount”** has the meaning ascribed to it in the relevant Senior Loan Supplement;

“euro” or “€” means 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;

“**Event of Default**” has the meaning assigned to such term in Clause 10.1 (*Events of Default*) hereof;

“**Fee Side Letter**” has the meaning assigned to such term in Clause 13.2 (*Payment of Ongoing Expenses*) hereof;

“**Fiscal Period**” means any fiscal period for which the Borrower or the Group (if consolidated accounts are prepared) has produced financial statements in accordance with IFRS which have either been audited or reviewed by the Auditors;

“**Fixed Rate Senior Loan**” means a Senior Loan specified as such in the relevant Senior Loan Supplement;

“**Floating Rate Senior Loan**” means a Senior Loan specified as such in the relevant Senior Loan Supplement;

“**GAAP**” means generally accepted accounting principles in the Kingdom of Sweden (as amended, supplemented or re-issued from time to time);

“**Global Notes**” has the meaning assigned to it in the Trust Deed;

“**Group**” means the Borrower and its Subsidiaries taken as a whole at any given time;

“**Guarantee**” means any financial obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness or other obligation of any other person and any obligation, direct or indirect, contingent or otherwise, of such person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however, that* the term “**Guarantee**” will not include endorsements for collection or deposit in the ordinary course of business. The term “**Guarantee**” used as a verb has a corresponding meaning;

“**IFRS**” means International Financial Reporting Standards as adopted by the European Union (as amended, supplemented or re-issued from time to time);

“**incur**” means issue, assume, guarantee, incur or otherwise become liable for; *provided, however, that* any Indebtedness or Capital Stock of a person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be incurred or issued by such Subsidiary at the time it becomes or is so merged into a Subsidiary;

“**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 30 days; and
- (e) amounts raised under any other transaction (including, without limitation, any Repo, forward sale or purchase agreement) having the commercial effect of a borrowing;

**“Interest Payment Date”** means the date(s) specified as such in the relevant Senior Loan Supplement, or, in the event of a prepayment in whole (but not in part) in accordance with Clauses 5.2 (*Prepayment in the event of Taxes or Increased Costs*) or 5.3 (*Prepayment in the event of Illegality*), the date set for such redemption in respect of the Senior Loan;

**“Interest Period”** means each period beginning on (and including) an Interest Payment Date or, in the case of the first Interest Period, the Interest Commencement Date, and ending on (but excluding) the next Interest Payment Date;

**“Joint Lead Arrangers”** means HSBC Bank plc and Société Générale or any successor appointed pursuant to the terms of the Dealer Agreement from time to time;

**“Lead Manager(s)”** means the Relevant Dealer(s) specified as such in the relevant Subscription Agreement;

**“Lender Agreements”** means the Dealer Agreement, this Agreement, the Subordinated Facility Agreement, the Agency Agreement, the Account Bank Agreement, the Principal Trust Deed and together with, in relation to each Senior Loan, the relevant Subscription Agreement, Senior Loan Supplement and Supplemental Trust Deed;

**“Material Adverse Effect”** means a material adverse effect on (a) the condition (financial or otherwise), prospects or general affairs of the Borrower or the Group; or (b) the Borrower’s ability to perform or comply with its obligations under the Borrower Agreements; or (c) the validity or enforceability of the Borrower Agreements or the rights or remedies of the Lender thereunder;

**“Material Subsidiary”** means, at any given time, a Subsidiary of the Borrower, which:

- (a) has gross income representing 10 per cent. or more of the consolidated gross income of the Group for the most recent Fiscal Period; or
- (b) has total assets representing 10 per cent. or more of the consolidated total assets of the Group,

in each case calculated on a consolidated basis in accordance with IFRS, as consistently applied;

Compliance with the conditions set out in paragraphs (a) and (b) above shall be determined by reference to the latest audited or unaudited consolidated annual or, as the case may be, audited or unaudited consolidated interim financial statements of that Subsidiary and the latest audited consolidated annual or, as the case may be, audited or unaudited consolidated interim financial statements of the Group, but if a Subsidiary has been acquired since the date as at which the latest audited consolidated financial statements of the Group were prepared, the financial statements shall be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by the Group’s auditors as representing an accurate reflection of the revised consolidated gross income or consolidated total assets, as the case may be, of the Group), *provided however, that* if there is a dispute, unresolved for a period of at least 30 days, as to whether or not a member of the Group is a Material Subsidiary, a certificate of the Auditors as to whether a Subsidiary is or is not a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

**“Noteholder”** means, in relation to a Note, the person in whose name such Note is registered from time to time in the register of the noteholders (or in the case of joint holders, the first named holder thereof);

**“Notes”** means the loan participation notes that may be issued from time to time by the Lender under the Programme in Series, each Series corresponding to a Senior Loan or a Subordinated Loan and, in relation to a Senior Loan, as defined in the relevant Senior Loan Supplement and, in relation to a Subordinated Loan, as defined in the relevant Subordinated Loan Supplement;

**“Officers’ Certificate”** means a certificate signed on behalf of the Borrower by two officers of the Borrower at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower substantially, in the form set out in Schedule 2 hereto;

**“Opinion of Counsel”** means a written opinion from international legal counsel who is reasonably acceptable to the Lender;

**“Permitted Security Interest”** means:

- (a) any Security Interest created by the Lender, either in favour of the Trustee for the benefit of the Noteholders pursuant to a Supplemental Trust Deed or in connection with any limited recourse financing arrangements that are permitted pursuant to clause 14.20.1(ii) of the Principal Trust Deed;
- (b) any Security Interest created by any other Subsidiary to secure Securities Indebtedness, provided that (i) any such Securities Indebtedness is incurred on a limited recourse basis for the sole purpose of financing loans to the Borrower or any other member of the Group pursuant to a loan participation notes arrangement or programme, the related prospectus or other offering document for which has been approved by a competent authority or by, or on behalf of, a stock exchange (as the case may be); (ii) the business activities of such other Subsidiary are contractually limited to incurring Indebtedness for the sole purpose of financing on-lending to the Borrower or any other member of the Group (and matters incidental thereto); and (iii) such Security Interest is created only over the relevant Subsidiary’s benefit of the related on-lending arrangements and any bank accounts established specifically for the purposes of that incurrence of Securities Indebtedness or the related on-loan;
- (c) any Security Interest upon, or with respect to, any securitisation of property or assets or similar financing structure in relation to property or assets where the primary source of payment of any obligations secured by property or assets is linked to the proceeds of such property or assets (or where payment of such obligations is otherwise supported by such property or assets), but may make provision for rights of recourse on an unsecured basis (apart from the property or assets subject to the securitisation or financing structure) which may arise upon any failure to perform or default by the obligors in relation to such property or assets; provided that the aggregate outstanding amount of such obligations secured, does not, at any time, exceed 10 per cent. of the total consolidated assets of the Group, as determined at any time by reference to the most recent consolidated statement of financial position of the Group prepared in accordance with IFRS; and
- (d) any other Security Interests securing Relevant Indebtedness (not falling within any of paragraphs (a) to (c) above), provided that the aggregate amount of Relevant Indebtedness secured by all such Security Interests does not exceed five per cent. of the value of the consolidated total assets of the Group as calculated on a consolidated basis from the latest audited or unaudited consolidated annual or, as the case may be, audited or unaudited consolidated interim financial statements of the Group prepared in accordance with IFRS consistently applied, as delivered by the Borrower in accordance with this Agreement;

“**person**” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, company, firm, trust, organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;

“**PLN**” denotes Polish Zloty, the lawful currency of the Republic of Poland;

“**Polish National Bank**” means Narodowy Bank Polski;

“**Potential Event of Default**” means any event which is, or after notice or passage of time or after making any determinations under this Agreement (or any combination of the foregoing) would be, an Event of Default;

“**Principal Trust Deed**” means the amended and restated principal trust deed dated 23 April 2010 as may be amended, modified, supplemented and/or restated from time to time between the Lender and the Trustee;

“**Programme**” means the programme for the issuance of loan participation notes of the Lender;

“**Programme Limit**” means €3,000,000,000 or its equivalent in other currencies, being the maximum aggregate principal amount of Notes that may be issued and outstanding at any time under the Programme as may be increased in accordance with the Dealer Agreement;

“**Put Option**”, if applicable, means the put option granted to the Borrower pursuant to the relevant Senior Loan Supplement and the Conditions of the relevant Series of Notes;

“**Put Option Commencement Date**”, if applicable, has the meaning given to it in the relevant Senior Loan Supplement;

“**Rate of Interest**” has the meaning assigned to such term in the relevant Senior Loan Supplement;

“**Registrar**” has the meaning assigned to it in the Trust Deed;

“**Relevant Event**” has the meaning assigned to it in the Trust Deed;

“**Relevant Indebtedness**” means any present or future Indebtedness, having an original maturity of more than one year, in the form of or represented by:

- (a) bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in or on any stock exchange, over-the-counter or other securities market, whether issued by private placement or otherwise (collectively, “**Securities Indebtedness**”); or
- (b) any other Indebtedness that is funded or financed by Securities Indebtedness or which is intended to be the principal source of payment for any principal or interest payable in respect of any Securities Indebtedness;

“**Relevant Time**” means, in relation to a payment in a Specified Currency, the time in the principal financial centre of such Specified Currency and, in relation to a payment in euro, Brussels time;

“**Repayment Date**” has the meaning assigned to such term in the relevant Senior Loan Supplement;

“**Repo**” means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities lending or rental agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes of this definition, the term “**securities**” means any capital stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any public or private company, any government or

Agency or instrumentality thereof or any supranational, international or multinational organisation;

“**Reserved Rights**” has the meaning assigned to such term in the Trust Deed;

“**Same-Day Funds**” means such funds for payment in the Specified Currency as the Lender may at any time determine to be customary for the settlement of international transactions in the principal financial centre of the country of the Specified Currency or, as the case may be, euro funds settled through the TARGET System or such other funds for payment in euro as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in Brussels of the type contemplated hereby;

“**Securities Act**” means the US Securities Act of 1933;

“**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;

“**SEK**” denotes Swedish Kroner, the lawful currency of the Kingdom of Sweden;

“**Senior Loan**” means each senior loan to be made pursuant to, and on the terms specified in, this Agreement and the relevant Senior Loan Supplement, and includes each Fixed Rate Senior Loan and Floating Rate Senior Loan;

“**Senior Loan Agreement**” means this Agreement and (unless the context requires otherwise), in relation to a Senior Loan, means this Agreement as amended and supplemented by the relevant Senior Loan Supplement;

“**Series**” means a series of Notes that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number;

“**Specified Currency**” means the currency specified as such in the relevant Senior Loan Supplement;

“**Subordinated Facility Agreement**” means the subordinated facility agreement relating to the Programme to be dated on or before the Issue Date (as defined in the Dealer Agreement) of a relevant Series of Notes between the Lender and the Borrower, as may be amended or supplemented from time to time;

“**Subordinated Loan**” means each subordinated loan to be made pursuant to, and on the terms specified in, the Subordinated Facility Agreement and the relevant subordinated loan supplement;

“**Subscription Agreement**” means the agreement specified as such in the relevant Senior Loan Supplement;

“**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;

“**Supplemental Trust Deed**” means a supplemental trust deed in respect of a Series of Notes which constitutes and secures, *inter alia*, such Series dated the relevant Closing Date and made between the Lender and the Trustee (substantially in the form set out in Schedule 10 of the Principal Trust Deed);

**“Tangible Net Worth”** means, as of any date, the sum of the aggregate of the amounts paid up or credited as paid up on the issued ordinary share capital of the Lender, the aggregate amount of the reserves of the Lender and any balance standing to the credit of the profit and loss account of the Lender, less any debit balance on the profit and loss account of the Lender, any amount shown in respect of goodwill or other intangible assets of the Lender, any amount set aside for taxation, deferred taxation or bad debts and any amount in respect of any dividend or distribution declared, recommended or made by the Lender to the extent payable to a person who is not a member of the Group and to such extent such distribution is not provided for in the most recent financial statements, all amounts determined in accordance with GAAP;

**“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 System”** means TARGET2 or any successor thereof;

**“Taxes”** means any present or future taxes, levies, duties, assessments or other governmental charges of whatever nature (including interest and penalties or addition thereon), no matter how they are levied or determined, and the terms **“Tax”** and **“taxation”** shall be construed accordingly;

**“Taxing Authority”** means any body having authority to levy Taxes;

**“Trust Deed”** means the Principal Trust Deed as supplemented by the relevant Supplemental Trust Deed and specified as such in the relevant Senior Loan Supplement;

**“Trustee”** means Citicorp Trustee Company Limited, as trustee under the Trust Deed and any other trustee or trustees thereunder; and

**“Warranty Date”** means the date hereof, the date of each Senior Loan Supplement, each Closing Date, each date on which the Base Prospectus is amended, supplemented or replaced, each date any of the Lender Agreements are amended or supplemented and each date on which the Programme Limit is increased.

## 1.2 Other Definitions

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Principal Trust Deed, the relevant Notes, the Agency Agreement, the Dealer Agreement or the relevant Senior Loan Supplement shall have the meanings assigned to such terms therein.

## 1.3 Interpretation

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

1.3.1 all references to a **“Clause”** or **“sub-clause”** are references to a Clause or sub-clause of this Agreement;

1.3.2 save as provided in the definition of **“Base Prospectus”** above, all references in this Agreement to an agreement, instrument or other document shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time.

1.3.3 the terms **“hereof”**, **“herein”** and **“hereunder”** and other words of similar import shall mean the relevant Senior Loan Agreement as a whole and not any particular part hereof;

1.3.4 words importing the singular number include the plural and vice versa;

1.3.5 the table of contents and the headings are for convenience only and shall not affect the construction hereof; and

1.3.6 any reference in this Agreement to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such statute, provision, statutory instrument, order or regulation as the same may have been, or may from time to time be, amended or re enacted.

#### 1.4 **Amendment and Restatement**

The Original Senior Facility Agreement shall be amended and restated on the terms of this Agreement *provided that* such amendment and restatement shall not take effect in relation to or for any purposes of any Notes issued prior to the date of this Agreement. Any Senior Loan made available on or after the date of this Agreement shall be issued pursuant to this Agreement. Subject to such amendment and restatement, the Original Senior Facility Agreement shall continue in full force and effect.

### 2. **SENIOR LOANS**

#### 2.1 **Senior Loans**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Senior Loan Supplement, the Lender hereby agrees to make available to the Borrower Senior Loans up to, together with any Subordinated Loans the Lender agrees to make available to the Borrower under the Subordinated Facility Agreement, a total aggregate amount equal to the Programme Limit.

#### 2.2 **Purpose**

The proceeds of each Senior Loan will be used to fund the Borrower's lending activities and for general banking purposes (unless otherwise specified in the relevant Senior Loan Supplement) and, accordingly, the Borrower shall apply all amounts raised by it hereunder to fund such activities and purposes, but the Lender shall not be concerned with the application thereof.

#### 2.3 **Separate Senior Loans**

It is agreed that, with respect to each Senior Loan, all the provisions of this Agreement and the Senior Loan Supplement shall apply *mutatis mutandis* separately and independently to each such Senior Loan and the expressions "**Account**", "**Arrangement Fee**", "**Closing Date**", "**Day Count Fraction**", "**Interest Payment Date**", "**Senior Loan Agreement**", "**Notes**", "**Rate of Interest**", "**Repayment Date**", "**Specified Currency**", "**Subscription Agreement**" and "**Trust Deed**", together with all other terms that relate to such a Senior Loan shall be construed as referring to those of the particular Senior Loan in question and not of all Senior Loans unless expressly so provided, so that each such Senior Loan shall be made pursuant to this Agreement and the relevant Senior Loan Supplement, together comprising the Senior Loan Agreement in respect of such Senior Loan, and that events affecting one Senior Loan shall not affect any other.

### 3. **DRAWDOWN**

#### 3.1 **Drawdown**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Senior Loan Supplement, on the Closing Date thereof the Lender shall make a Senior Loan to the Borrower and the Borrower shall make a single drawing in the full amount of such Senior Loan.

### 3.2 **Senior Loan Arrangement Fee**

In consideration of the Lender's undertaking to make a Senior Loan available to the Borrower, the Borrower hereby agrees that it shall, no later than one Business Day before each Closing Date, pay to or to the order of the Lender, in Same-Day Funds by 10 a.m. (Relevant Time) an Arrangement Fee (as defined in the relevant Senior Loan Supplement) in connection with the financing of such Senior Loan. The total amount of the Arrangement Fee will be as specified in the relevant Senior Loan Supplement.

### 3.3 **Disbursement**

Subject to the conditions set forth herein and, as the case may be, in each Senior Loan Supplement, on each Closing Date the Lender shall transfer the full amount of the relevant Senior Loan to the Borrower Account specified in the relevant Senior Loan Supplement.

### 3.4 **Ongoing Fees and Expenses**

In consideration of the Lender establishing and maintaining the Programme and agreeing to make Senior Loans to the Borrower, the Borrower shall pay on demand to the Lender as and when such payments are due an amount or amounts to reimburse the Lender for its expenses relating to its management and operation in servicing the Senior Loans as set forth to the Borrower in an invoice from the Lender (including, for the avoidance of doubt and without limitation, the fees and expenses of the Lender's counsel, auditors, corporate services providers, trustees and agents and any other expenses of the Lender).

## 4. **INTEREST**

### 4.1 **Rate of Interest for Fixed Rate Senior Loans**

Each Fixed Rate Senior Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the applicable Rate of Interest.

If a Fixed Amount or a Broken Amount is specified in the relevant Senior Loan Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Senior Loan Supplement.

### 4.2 **Payment of Interest for Fixed Rate Senior Loans**

Interest at the Rate of Interest shall accrue on each Fixed Rate Senior Loan from day to day, starting from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date and shall be paid in arrear by the Borrower to the Account not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date.

### 4.3 **Interest for Floating Rate Senior Loans**

4.3.1 *Interest Payment Dates:* Each Floating Rate Senior Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the applicable Rate of Interest, which interest shall be paid in arrear by the Borrower to the relevant Account not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Senior Loan Supplement as Specified Interest Payment Date(s) or, if no Specified Interest

Payment Date(s) is/are shown in the relevant Senior Loan Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Senior Loan Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

4.3.2 *Business Day Convention*: If any date referred to in the relevant Senior Loan Supplement that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

4.3.3 *Rate of Interest for Floating Rate Senior Loans*: The Rate of Interest in respect of Floating Rate Senior Loans for each Interest Accrual Period shall be determined in the manner specified in the relevant Senior Loan Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Senior Loan Supplement.

(a) *ISDA Determination for Floating Rate Senior Loans*

Where ISDA Determination is specified in the relevant Senior Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (i), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option is as specified in the relevant Senior Loan Supplement;
- (ii) the Designated Maturity is a period specified in the relevant Senior Loan Supplement; and
- (iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Senior Loan Supplement.

For the purposes of this sub-paragraph (a), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(b) *Screen Rate Determination for Floating Rate Senior Loans*

Where Screen Rate Determination is specified in the relevant Senior Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (i) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
  - (1) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
  - (2) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,
 in each case appearing on such Page at the Relevant Time on the Interest Determination Date;
- (ii) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph 4.3.3(b)(i)(1) above applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph 4.3.3(b)(i)(2) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and
- (iii) if paragraph 4.3.3(b)(ii) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the Relevant Financial Centre of the country of the Specified Currency or, if the Specified Currency is euro, in Europe as selected by the Calculation Agent are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Relevant Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Relevant Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

#### 4.4 **Accrual of Interest**

Interest shall cease to accrue on each Senior Loan on the due date for repayment unless payment is improperly withheld or refused, in which event interest shall continue to accrue (before or after any judgment) at the applicable Rate of Interest to, but excluding, the date on which payment in full of the principal thereof is made.

#### 4.5 **Margin, Maximum/Minimum Rates of Interest, Rate Multipliers and Rounding**

4.5.1 If any Margin or Rate Multiplier is specified in the relevant Senior Loan Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Clause 4.3 (*Interest for Floating Rate Senior Loans*) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.

4.5.2 If any Maximum or Minimum Rate of Interest is specified in the relevant Senior Loan Supplement, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

4.5.3 For the purposes of any calculations required pursuant to a Senior Loan Agreement (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

#### 4.6 **Calculations**

The amount of interest payable in respect of any Senior Loan for any period shall be calculated by applying the Rate of Interest for such Interest Accrual Period to the Calculation Amount and multiplying the product by the 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 Senior Loan 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, provided that if an Interest Amount (or a formula for its calculation) is specified in the relevant Senior Loan Supplement in respect of such period, the amount of interest payable in respect of such Senior Loan for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

#### 4.7 **Determination and Notification of Rates of Interest and Interest Amounts**

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation in accordance with the Senior Loan Agreement, it shall determine such rate and calculate the Interest Amounts in respect of such Floating Rate Senior Loan for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Borrower, the Trustee, the Lender, each of the Paying Agents and any other Calculation Agent appointed in respect of such Floating Rate Senior Loan that is to make a further calculation upon receipt of such information. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to sub-clause 4.3.2 of Clause 4.3 (*Interest for Floating Rate Senior Loans*), the Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made with the consent of the Borrower and the Lender by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If such Floating Rate Senior Loan becomes due and payable under Clause 10.3 (*Default Remedies*), the accrued interest and the Rate of Interest payable in respect of such Floating Rate Senior Loan shall nevertheless continue to be calculated as previously in accordance with this Clause. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

#### 4.8 **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount in relation to a Floating Rate Senior Loan, the Lender requests that such determination or calculation may be made by or at the direction of the Trustee. The Trustee shall incur no liability to any person in respect of any such determination or calculation it chooses (in its absolute discretion) to make.

#### 4.9 **Definitions**

In this Clause 4 (*Interest*), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Benchmark**” has the meaning specified in the relevant Senior Loan Supplement;

“**Business Day**” means:

- (a) in the case of a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such Specified Currency; and/or
- (b) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”); and/or
- (c) in the case of a Specified Currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

“**Calculation Amount**” has the meaning specified in the relevant Senior Loan Supplement;

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Senior Loan for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “**Calculation Period**”);

- (a) if “Actual/Actual – ISDA” is specified in the relevant Senior Loan Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that 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);
- (b) if “Actual/365 (Fixed)” is specified in the relevant Senior Loan Supplement, the actual number of days in the Calculation Period divided by 365;
- (c) if “Actual/360” is specified in the relevant Senior Loan Supplement, the actual number of days in the Calculation Period divided by 360;
- (d) if “30/360”, “360/360” or “Bond Basis” is so specified in the Senior Loan Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

“M2” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

- (e) if “30E/360” or “Eurobond Basis” is specified in the relevant Senior Loan Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

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

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (f) if “30E/360 (ISDA)” is specified in the Senior Loan Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

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

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” 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 D2 will be 30; and

“**D2**” 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 D2 will be 30; and

- (g) if “**Actual/Actual-ICMA**” is specified in the relevant Senior Loan Supplement:
- (a) If the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (b) if the Calculation Period is longer than one Determination Period, the sum of:
    - (i) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date;

“**Determination Date**” means the date specified in the relevant Senior Loan Supplement or, if none is so specified, the Interest Payment Date;

“**Effective Date**” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Senior Loan Supplement or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates;

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

“**Interest Amount**” means the amount of interest payable, and in the case of Fixed Rate Senior Loans, means the Fixed Amount or Broken Amount, as the case may be;

“**Interest Commencement Date**” means the Closing Date or such other date as may be specified in the relevant Senior Loan Supplement;

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Senior Loan Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days

in London and for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

**“Interest Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

**“Interest Period Date”** means each Interest Payment Date unless otherwise specified herein;

**“ISDA Definitions”** means the 2006 ISDA Definitions (as amended and updated as at the date of the first Senior Loan Supplement), as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Senior Loan Supplement;

**“Page”** means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters service (**“Reuters”**)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate;

**“Reference Banks”** means the institutions specified as such in the relevant Senior Loan Supplement or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that are most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe);

**“Relevant Financial Centre”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Senior Loan Supplement or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London;

**“Relevant Rate”** means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date;

**“Relevant Time”** means, with respect to any Interest Determination Date or Repayment Date, the local time in the Relevant Financial Centre specified in the relevant Senior Loan Supplement or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose **“local time”** means, with respect to Europe as a Relevant Financial Centre, 11.00 hours, Brussels time;

**“Representative Amount”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Senior Loan Supplement or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

“**Specified Denomination**” has the meaning given in the relevant Senior Loan Supplement; and

“**Specified Duration**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Senior Loan Supplement or, if none is specified, a period of time equal to the relevant Interest Accrual Period, ignoring any adjustment pursuant to sub-clause 4.3.2 of Clause 4.3 (*Interest for Floating Rate Senior Loans*).

#### 4.10 **Calculation Agent and Reference Banks**

The Lender shall procure that there shall at all times be specified no less than four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and appointed one or more Calculation Agents if provision is made for them in a Senior Loan Supplement and for so long as any amount remains outstanding under a Senior Loan Agreement. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Lender shall (with the prior approval of the Borrower) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of a Senior Loan, references in the relevant Senior Loan Agreement to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the relevant Senior Loan Agreement. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, or to comply with any other requirement pursuant to the Senior Loan Agreement, the Lender shall (with the prior approval of the Borrower) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. The Lender agrees that such successor Calculation Agent will be appointed on the terms of the Agency Agreement in relation to the relevant Senior Loan Agreement.

#### 4.11 **Dual Currency Provisions**

This Clause 4.11 is applicable only if the Dual Currency Provisions are specified in the relevant Senior Loan Supplement as being applicable. If the rate or amount of interest applicable to any Senior Loan falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Senior Loan Supplement.

### 5. **REPAYMENT AND PREPAYMENT**

#### 5.1 **Repayment**

Except as otherwise provided herein and in the applicable Senior Loan Supplement, the Borrower shall repay each Senior Loan not later than 10.00 a.m. (Relevant Time) one Business Day prior to the Repayment Date therefor.

#### 5.2 **Prepayment in the event of Taxes or Increased Costs**

If, (a) as a result of the application of or any amendments or clarification of a decision by a court of competent jurisdiction, or change (including a change in interpretation or application) in the double tax treaty between the Republic of Poland and the Kingdom of Sweden or the

laws or regulations of the Republic of Poland or the Kingdom of Sweden or of any political subdivision thereof or any Taxing Authority therein, or (b) the enforcement of the security provided for in any Trust Deed, the Borrower would thereby be required to make or increase any payment due pursuant to a Senior Loan Agreement as provided in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross Up*) or 6.3 (*Withholding on Notes*) and, in any such case, such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower may (without premium or penalty), upon not less than 30 days' notice to the Lender (which notice shall be irrevocable), prepay the Senior Loan relating to such Senior Loan Agreement in whole (but not in part) on any Interest Payment Date, in the case of a Floating Rate Senior Loan, or at any time, in the case of a Fixed Rate Senior Loan.

No such notice of prepayment shall be given earlier than 90 days prior to the earliest date on which the Borrower would be obliged to pay such additional amounts or increase such payment if a payment in respect of the Senior Loan were then due.

Prior to giving any such notice in the event of an increase in payment pursuant to Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), the Borrower shall deliver to the Lender (copied to the Trustee) an Officers' Certificate confirming that it would be required to increase the amount payable and that the obligation to make such payment cannot be avoided by the Borrower taking reasonable measures available to it, supported by an opinion of an independent tax adviser addressed to the Lender (copied to the Trustee).

### 5.3 **Prepayment in the event of Illegality**

If, at any time after the date of the relevant Senior Loan Supplement, by reason of the introduction of, or any change in, any applicable law or regulation or regulatory requirement or directive of any Agency, the Lender reasonably determines (such determination being accompanied by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by the Borrower) that it is or would be unlawful or contrary to any applicable law, regulation, regulatory requirement or directive of any Agency of any state or otherwise for the Lender to make, fund or allow all or part of the Senior Loan relating to such Senior Loan Supplement or the corresponding Series of Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with the relevant Senior Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to such Senior Loan (an "**Event of Illegality**"), then the Lender shall, after becoming aware of the same, deliver to the Borrower (with a copy to the Trustee) a written notice, setting out in reasonable detail the nature and extent of the relevant circumstances, to that effect and:

5.3.1 if any amount of such Senior Loan has not then been made, the Lender shall not thereafter be obliged to make such amount of such Senior Loan; and

5.3.2 if such Senior Loan is then outstanding, then upon notice by the Lender to the Borrower in writing, the Borrower and the Lender shall consult in good faith as to a basis that eliminates the application of such Event of Illegality. If a basis has not been agreed between the Borrower and the Lender by the earlier of the latest date permitted by the relevant law or 30 days after the date on which the Lender notified the Borrower of such illegality, then upon written notice by the Lender to the Borrower and the Trustee, the Borrower shall prepay (without premium or penalty) such Senior Loan in whole (but not in part), on the next Interest Payment Date therefor, in the case of a Floating Rate Senior Loan, or in the case of a Fixed Note Senior Loan, on the next Interest Payment Date or on such earlier date as the Lender shall (acting reasonably) certify to be necessary to comply with such requirements.

### 5.4 **Optional Prepayment under Call Option**

If a Call Option is specified in the relevant Senior Loan Supplement, the Borrower may, at its option at any time from the Call Option Commencement Date but prior to the Repayment

Date, on giving not less than 30 nor more than 60 days' irrevocable notice to the Lender, prepay the Senior Loan at the Early Redemption Amount. The notice to be given shall specify the date for repayment of the relevant Senior Loan. The Senior Loan shall be repaid on the date specified in such notice. Immediately on receipt of such notice, the Lender shall forward it to the Noteholders, the Trustee and the Principal Paying Agent. The date for the redemption of the Notes (the "**Call Redemption Date**") shall be the next following Business Day after the date for repayment of the relevant Senior Loan.

#### 5.5 **Optional Prepayment under Put Option**

If a Put Option is specified in the relevant Senior Loan Supplement, following notification from the Issuer, the Borrower shall prepay the Senior Loan (without premium or penalty), to the extent of the aggregate principal amount of the Notes to be properly redeemed in accordance with Condition 5 of the Conditions of the Notes, two Business Days prior to the Put Settlement Date (as defined in the relevant Senior Loan Supplement).

#### 5.6 **Reduction of a Senior Loan Upon Cancellation of Corresponding Notes**

The Borrower may from time to time deliver to the Lender Definitive Notes or Individual Note Certificates (as the case may be) held by it, having an aggregate principal value of at least €1,000,000 (or its equivalent in a Specified Currency), together with a request for the Lender to present such Definitive Notes or Individual Note Certificates (as the case may be) to the Principal Paying Agent or the Registrar for cancellation, and may also from time to time procure the delivery to the Registrar of the relevant Global Notes with instructions to cancel a specified aggregate principal amount of Notes (being at least €1,000,000 or its equivalent in a Specified Currency) represented thereby (which instructions shall be accompanied by evidence satisfactory to the Registrar that the Borrower is entitled to give such instructions), whereupon the Lender shall, pursuant to clause 8.1 of the Agency Agreement, request the Registrar to cancel such Notes (or specified aggregate principal amount of Notes represented by the relevant Global Notes). Upon any such cancellation by or on behalf of the Registrar, the principal amount of the Senior Loan corresponding to the principal amount of such Notes together with accrued interest and other amounts (if any) thereon shall be extinguished for all purposes as of the date of such cancellation.

#### 5.7 **Payment of Other Amounts**

If a Senior Loan is to be prepaid by the Borrower pursuant to any of the provisions of Clauses 5.2 (*Prepayment in the event of Taxes or Increased Costs*), 5.3 (*Prepayment in the event of Illegality*) or pursuant to the terms of the relevant Senior Loan Agreement, the Borrower shall, simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual payment and all other sums payable by the Borrower pursuant to the relevant Senior Loan Agreement. For the avoidance of doubt, if the principal amount of such Senior Loan is reduced pursuant to the provisions of Clause 5.4 (*Reduction of a Senior Loan Upon Cancellation of Corresponding Notes*), then no interest shall accrue or be payable during the Interest Period in which such reduction takes place in respect of the amount by which such Senior Loan is so reduced and the Borrower shall not be entitled to any interest in respect of the cancelled Notes. The Borrower shall indemnify the Lender on demand against any costs and expenses reasonably incurred and properly documented by the Lender on account of any prepayment made in accordance with this Clause 5 (*Repayment and Prepayment*).

#### 5.8 **Provisions Exclusive**

The Borrower shall not prepay or repay all or any part of any Senior Loan except at the times and in the manner expressly provided for in accordance with the relevant Senior Loan Agreement. Any amount prepaid or repaid may not be reborrowed under such Senior Loan Agreement.

## 6. PAYMENTS

### 6.1 Making of Payments

All payments of principal, interest and additional amounts (other than those in respect of Reserved Rights) to be made by the Borrower under each Senior Loan Agreement shall be made unconditionally by credit transfer to the Lender not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date, the Repayment Date or on the relevant prepayment date (as the case may be) in Same-Day Funds to the relevant Account or as the Trustee may otherwise direct following the occurrence of a Relevant Event. The Borrower shall, before 10.00 a.m. (Relevant Time) on the second Business Day prior to each Interest Payment Date, the Repayment Date or on the relevant prepayment date or (as the case may be), procure that the bank effecting such payments on its behalf confirms to the Principal Paying Agent by tested telex or authenticated SWIFT the payment instructions relating to such payment.

The Lender agrees with the Borrower that it will not deposit any other monies into such Account and that no withdrawals shall be made from such Account other than as provided for and in accordance with the relevant Trust Deed, the Account Bank Agreement and the Agency Agreement.

### 6.2 No Set-Off, Counterclaim or Withholding; Gross-Up

All payments to be made by the Borrower under each Senior Loan Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes imposed by any Taxing Authority. If the Borrower shall be required by applicable law to make any deduction or withholding from any payment under a Senior Loan Agreement for or on account of any such Taxes, it shall, on the due date for such payment, increase any payment of principal, interest or any other payment due under such Senior Loan Agreement to such amount as may be necessary to ensure that the Lender receives and retains (free from any liability in respect of such deduction, withholding or additional amount received) a net amount in the Specified Currency equal to the full amount which it would have received had payment not been made subject to such Taxes. The Borrower shall promptly account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence reasonably satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant Taxing Authority. If the Lender pays any amount in respect of such Taxes, the Borrower shall reimburse the Lender in the Specified Currency for such payment on demand, subject to the receipt of relevant supporting documentation.

### 6.3 Withholding on Notes

Without prejudice to the provisions of Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), if the Lender notifies the Borrower that it has become obliged to make any withholding or deduction for or on account of any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Poland, the Kingdom of Sweden or any political subdivision or any authority thereof or therein having the power to tax from any payment which it is obliged to make under or in respect of a Series of Notes, the Borrower agrees to pay to the Lender, not later than 10.00 a.m. (Relevant Time) one Business Day prior to the date on which payment is due to the Noteholders of such Series, in Same-Day Funds to the relevant Account, such additional amounts as are equal to the additional amounts which the Lender would be required to pay in order that the net amounts received by the Noteholders, after such withholding or deduction, will equal the respective amounts which would have been received by the Noteholders in the absence of such withholding or deduction; *provided, however, that* the Lender shall procure that immediately upon receipt from any Paying Agent of any reimbursement of the sums paid pursuant to this provision, to the extent that any Noteholders of such Series, as the case may be, are not entitled to such

additional amounts pursuant to the Conditions of such Series of Notes, pay such amounts received by way of such reimbursement to the Borrower (it being understood that neither the Lender, the Trustee, nor the Principal Paying Agent nor any Paying Agent shall have any obligation to determine whether any Noteholder of such Series or such other Party is entitled to any such additional amount).

Any notification by the Lender to the Borrower in connection with this Clause 6.3 (*Withholding on Notes*) shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction.

#### 6.4 **Mitigation**

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Borrower or the Lender to make any deduction, withholding or payment as described in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or 6.3 (*Withholding on Notes*), then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or the Borrower's obligations, under such Clauses, such party shall, upon becoming aware of the same, notify the other party thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without prejudice to its own position, the Lender shall take all reasonable steps to remove such circumstances or mitigate the effects of such circumstances; *provided that* the Lender shall be under no obligation to take any such action if, in its reasonable opinion, to do so might reasonably be expected to have any adverse effect upon its business, operations or financial condition or might be in breach of any provision of the Trust Deed, the Agency Agreement or the Notes.

#### 6.5 **Tax Treaty Relief**

The Lender shall, provided that in each case a corresponding request from the Borrower is received by the Lender no earlier than 65 Business Days but no later than 30 Business Days prior to the first Interest Payment Date or, as applicable, the beginning of each calendar year, and at the Borrower's cost, to the extent it is able to do so under applicable law including, without limitation, Polish laws, use commercially reasonable efforts to obtain and to deliver to the Borrower no later than 10 Business Days before the first Interest Payment Date or, as applicable, the beginning of each calendar year a certificate issued and certified (as applicable) by the competent Taxing Authority in the Kingdom of Sweden confirming that the Lender is tax resident in the Kingdom of Sweden in the calendar year of such Interest Payment Date and such other information or forms (including application forms) as may need to be duly completed and delivered by the Lender to enable the Borrower to apply to obtain relief from deduction or withholding of Polish Taxes after the date of this Agreement or, as the case may be, to apply to obtain a tax refund if a relief from deduction or withholding of Polish Taxes has not been obtained.

The certificate or such other information or forms referred to in this Clause 6.5 (*Tax Treaty Relief*) shall be duly signed by the Lender (if applicable), stamped or otherwise approved by the competent Taxing Authority in the Kingdom of Sweden and apostilled or legalised (as applicable) with a notarised Polish translation attached thereto (an "**Authenticated Certificate**").

If a relief from deduction or withholding of Polish taxes under this Clause 6.5 (*Tax Treaty Relief*) has not been obtained and further to an application of the Borrower to the relevant Polish taxing authorities the latter requests the Lender's PLN bank account details, the Lender shall at the request of the Borrower (a) use its commercially reasonable efforts, at the Borrower's cost, to procure that such PLN bank account of the Lender is duly opened and maintained, and (b) thereafter furnish the Borrower with the details of such PLN bank account.

## 7. **CONDITIONS PRECEDENT**

The obligation of the Lender to make each Senior Loan shall be subject to the further conditions precedent that as of the relevant Closing Date (a) the representations and warranties made and given by the Borrower in Clause 8 (*Representations and Warranties*) shall be true and accurate as if made and given on the relevant Closing Date with respect to the facts and circumstances then existing, (b) there shall be no Event of Default or Potential Event of Default, (c) the Borrower shall not be in breach of any of the terms, conditions and provisions of the relevant Senior Loan Agreement, (d) the relevant Subscription Agreement, Trust Deed, Fee Side Letter and the Agency Agreement shall have been executed and delivered, and the Lender shall have received the full amount of the proceeds of the issue of the corresponding Series of Notes pursuant to such Subscription Agreement and (e) the Lender shall have received in full the amount referred to in Clause 3.2 (*Senior Loan Arrangement Fee*), if due and payable, above, as specified in the relevant Senior Loan Supplement.

## 8. **REPRESENTATIONS AND WARRANTIES**

### 8.1 **The Borrower's Representations and Warranties**

The Borrower does, and on each Warranty Date shall be deemed to, represent and warrant to the Lender, with the intent that such shall form the basis of each Senior Loan Agreement, that:

- 8.1.1 the Borrower is duly organised and incorporated and validly existing under the laws of the Republic of Poland, is not in liquidation or receivership and has the power and legal right to own its property, to conduct its business as currently conducted and to enter into and to perform its obligations under each Senior Loan Agreement and to borrow Senior Loans; the Borrower has (or, where applicable, will have prior to the date of the relevant Senior Loan Supplement) taken all necessary corporate, legal and other action required to authorise the borrowing of Senior Loans on the terms and subject to the conditions of each Senior Loan Agreement and to authorise the execution and delivery of each Senior Loan Agreement and all other documents to be executed and/or delivered by it in connection with each Senior Loan Agreement, and the performance of each Senior Loan Agreement in accordance with its respective terms;
- 8.1.2 the Senior Loan Agreement, including each Senior Loan Supplement in relation thereto, has been (or, where applicable, will have been prior to the date of the relevant Senior Loan Supplement) duly executed by the Borrower and constitutes (or, where applicable, will upon execution constitute) a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, (i) to general principles of equity, and (ii) with respect to the enforceability of a judgment, to the laws of the relevant jurisdiction where such judgment must be enforced and whether there is a treaty in force relating to the mutual recognition of foreign judgments;
- 8.1.3 the execution and performance of each Senior Loan Agreement, including each Senior Loan Supplement in relation thereto, by the Borrower will not conflict with or result in any breach or violation of (i) any law or regulation or any order of any governmental, judicial, arbitral or public body or authority in the Republic of Poland, (ii) the constitutive documents, rules and regulations of the Borrower or the terms of the general banking licence granted to the Borrower by the Polish National Bank or (iii) any agreement or other undertaking or instrument to which the Borrower is a party or which is binding upon the Borrower or any of its respective assets, nor result in the creation or imposition of any Security Interests on any of its assets pursuant to the provisions of any such agreement or other undertaking or instrument;

- 8.1.4 all consents, licences, notifications, authorisations or approvals of, or filings with, any governmental, judicial or public bodies or authorities of the Republic of Poland (including, without limitation, the Polish National Bank), if any, required in order to ensure (i) the due execution, delivery and performance by the Borrower of each Senior Loan Agreement and (ii) the legality, validity, enforceability, and admissibility in evidence of each Senior Loan Agreement have been obtained or effected and are and shall remain in full force and effect;
- 8.1.5 (i) no Potential Event of Default or Event of Default has occurred and is continuing; (ii) no default under any agreement or instrument evidencing any Indebtedness of the Borrower which might have a Material Adverse Effect has occurred and is continuing; and (iii) no such Potential Event of Default, Event of Default or default under any agreement or instrument evidencing any Indebtedness of the Borrower will occur upon the making of the relevant Senior Loan;
- 8.1.6 there are no judicial, arbitral or administrative actions, proceedings or claims (including, but without limitation to, with respect to Taxes) which have been commenced or are pending or, to the knowledge of the Borrower, threatened, against the Borrower or any of its Subsidiaries, the adverse determination of which would have a Material Adverse Effect;
- 8.1.7 except for Security Interests of the types referred to in the definition of Permitted Security Interests in Clause 1.1 (*Definitions*), the Borrower's obligations under the Senior Loan Agreement will rank at least *pari passu* with all its other unsecured and unsubordinated Indebtedness except as otherwise provided by mandatory provisions of applicable law;
- 8.1.8 the latest audited consolidated IFRS financial statements and unaudited interim consolidated financial statements of the Borrower:
- (a) were prepared in accordance with IFRS, as consistently applied;
  - (b) unless not required by IFRS, as consistently applied, disclose all liabilities (contingent or otherwise) and all unrealised or anticipated losses of the Group; and
  - (c) save as disclosed therein, present fairly in all material respects the assets and liabilities of the Group as at that date and the results of operations of the Group during the relevant financial year or financial period covered by such financial statements;
- 8.1.9 there has been no material adverse change since the date of the latest audited consolidated IFRS financial statements of the Borrower in the condition (financial or otherwise), results of business, operations or immediate prospects of the Group or on the Borrower's ability to perform its obligations under any Senior Loan Agreement;
- 8.1.10 the execution, delivery and enforceability of each Senior Loan Agreement is not subject to any tax, duty, fee or other charge of a material amount, including, but without limitation to, any registration or transfer tax, stamp duty or similar levy, imposed by or within the Republic of Poland or any political subdivision or taxing authority thereof or therein;
- 8.1.11 neither the Borrower nor its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to each Senior Loan Agreement;
- 8.1.12 the Borrower and its Subsidiaries are in compliance in all respects with all applicable provisions of law and all applicable rules, regulations and guidelines of the Polish National Bank, except where the failure to be in so compliance would not have a Material Adverse Effect;

- 8.1.13 neither the Borrower, nor any of its Material Subsidiaries, has taken any corporate action nor, have any other steps been taken or legal proceedings been started or threatened in writing against the Borrower or any of its Material Subsidiaries, for its or their bankruptcy, winding-up, dissolution, external administration or reorganisation (whether by voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of its or of any or all of its assets or revenues;
- 8.1.14 there are no strikes or other employment disputes against the Borrower which have been started or are pending or, to its knowledge, threatened which would have a Material Adverse Effect;
- 8.1.15 save as disclosed in the Base Prospectus, in any proceedings taken in the Republic of Poland in relation to each Senior Loan Agreement, the choice of English law as the governing law of each Senior Loan Agreement and any judgement obtained in England in relation to each Senior Loan Agreement will be recognised and enforced in the Republic of Poland after compliance with the applicable procedures and rules and all other legal requirements in Republic of Poland;
- 8.1.16 no withholding in respect of any Taxes is required to be made from any payment by the Borrower under each Senior Loan Agreement;
- 8.1.17 except where the absence of which or (as the case may be), the non-compliance with which, would not be likely to have a Material Adverse Effect, each of the Borrower and its Subsidiaries has all licences, consents, examinations, clearances, filings, registrations and authorisations which are or may be necessary to enable each of the them, respectively, to own its assets and carry on its business, which are in full force and effect, and the Borrower is conducting such business in accordance with such licences, consents, examinations, clearances, filings registrations and authorisations; and
- 8.1.18 the Borrower has no overdue tax liabilities, other than those that would not have a Material Adverse Effect.

## 8.2 **Lender's Representations and Warranties**

The Lender represents and warrants to the Borrower as follows:

- 8.2.1 the Lender is duly incorporated under the laws of the Kingdom of Sweden and has full power and capacity to execute the Lender Agreements and to undertake and perform the obligations expressed to be assumed by it herein and therein and the Lender has taken all necessary action to approve and authorise the same;
- 8.2.2 the execution of the Lender Agreements and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of the Kingdom of Sweden or any agreement or instrument to which it is a party or by which it is bound or in respect of indebtedness in relation to which it is a surety;
- 8.2.3 the Lender Agreements have been duly executed by and constitute legal, valid and binding obligations of the Lender enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, liquidation, administration, moratorium, re-organisation and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity;
- 8.2.4 all authorisations, consents and approvals required by the Lender for or in connection with the execution of the Lender Agreements, the performance by the Lender of the

obligations expressed to be undertaken by it herein and therein have been obtained and are in full force and effect; and

8.2.5 the Lender is a resident of the Kingdom of Sweden for taxation purposes. The Lender will be liable for Swedish Taxes on its Swedish source income as well as on its foreign source income. The Lender may also benefit from tax treaties signed by the Kingdom of Sweden, including the double tax treaty concluded on 19 November 2004 between the Kingdom of Sweden and the Republic of Poland. At the date hereof, the Lender reasonably believes that it does not have a permanent establishment in the Republic of Poland save for that which may be created solely as a result of the Lender entering into this Agreement.

## 9. COVENANTS

So long as any amount remains outstanding under a Senior Loan Agreement:

### 9.1 Negative Pledge

The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Security Interests, other than Permitted Security Interests, on any of its assets, now owned or hereafter acquired, or any income or profits therefrom, securing any Relevant Indebtedness or any Guarantee of or indemnity in respect of any Relevant Indebtedness, unless, at the same time or prior thereto, the Borrower's obligations hereunder are to the satisfaction of the Trustee (i) secured equally and rateably with such other Relevant Indebtedness or (ii) have the benefit of such other security or other arrangement which is equivalent in all material respects to any such Security Interest and which is approved by the Trustee.

### 9.2 Keep-well agreement

The Borrower shall cause the Lender to have a positive Tangible Net Worth of at least SEK 500,000 at all times and, if at any time the Lender requires funds to meet its obligations from time to time as they fall due, the Borrower shall provide to the Lender, on a timely basis, the funds required by the Lender in order to meet such obligations.

### 9.3 Maintenance of Authorisations

The Borrower shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things reasonably necessary, in the opinion of the Borrower or the relevant Material Subsidiary, to ensure the continuance of its corporate existence, its business and intellectual property relating to its business and the Borrower shall take all necessary action to obtain, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Republic of Poland for the execution, delivery or performance of the Senior Loan Agreements or for the validity or enforceability thereof, *provided that*, in any case if the Borrower and/or the relevant Material Subsidiary, as the case may be, can remedy any failure to comply with this Clause 9.3 (*Maintenance of Authorisations*) within 90 days of such failure or of the occurrence of such event, then this covenant shall be deemed not to have been breached.

### 9.4 Withholding Tax Exemption

The Borrower shall give to the Lender all the assistance it reasonably requires to ensure that, prior to the first interest payment and at the beginning of each calendar year the Lender can

provide the Borrower with the documents required under Polish laws for the relief of the Lender from Polish withholding tax in respect of payments hereunder.

## 9.5 Financial Information

9.5.1 The Borrower shall, within 10 days of their being made available to the Warsaw Stock Exchange, deliver to the Lender and the Trustee the consolidated financial statements of the Group for such financial year, audited by the Auditors and accompanied by a report thereon of the Auditors.

9.5.2 The Borrower shall, within 10 days as their being made available to the Warsaw Stock Exchange, deliver to the Lender and the Trustee, unaudited consolidated financial statements of the Group for such period.

9.5.3 The Borrower shall, so long as any amount remains outstanding under any Senior Loan Agreement, deliver to the Lender and the Trustee, without undue delay, such additional information regarding the financial position or the business of the Borrower and its Subsidiaries as the Lender may reasonably request including providing certification to the Trustee pursuant to the Trust Deed.

9.5.4 The Borrower shall ensure that each set of consolidated financial statements of the Group delivered by it pursuant to this Clause 9.5 (*Financial Information*) is:

- (a) prepared in accordance with IFRS and consistently applied; and
- (b) in the case of the statements provided pursuant to sub-clause 9.5.2, certified by an Authorised Signatory of the Borrower as giving a true and fair view, in all material respects, of the Group's consolidated financial condition as at the end of the period to which those consolidated financial statements relate and of its or, as the case may be, the Group's operations during such period.

## 9.6 Ranking of Claims

The Borrower shall ensure that at all times the claims of the Lender against it under each Senior Loan Agreement rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application.

## 9.7 Officers' Certificates

At the time of the despatch to the Trustee of the consolidated financial statements of the Group pursuant to sub-clauses 9.5.1 and 9.5.2, or promptly upon request by the Lender or the Trustee (and in any event within 10 Business Days after such request), the Borrower shall deliver to the Lender and the Trustee, written notice in the form of an Officers' Certificate stating whether any Potential Event of Default or Event of Default has occurred and, if it has occurred, what action the Borrower is taking or proposes to take with respect thereto.

At the time of the despatch to the Trustee of the consolidated financial statements of the Group pursuant to sub-clauses 9.5.1 and 9.5.2, or promptly upon request by the Lender or the Trustee (and in any event within 10 Business Days after such request), the Borrower shall deliver to the Lender and the Trustee written notice in the form of an Officers' Certificate listing its Material Subsidiaries, accompanied by a report by the Auditors addressed to the directors of the Borrower as to the proper extraction of the figures used in the Officers' Certificate, as described in the definition of "Officers' Certificate" in Clause 1.1 (*Definitions*).

## 9.8 Notes Held by the Borrower

Upon being so requested in writing by the Lender or the Trustee, the Borrower shall deliver to the Lender and the Trustee an Officers' Certificate of the Borrower setting out the total number of Notes which, at the date of such certificate, are held by the Borrower (or any Subsidiary of the Borrower) and have not been cancelled and are retained by it for its own account or for the account of any other company.

## 10. EVENTS OF DEFAULT

### 10.1 Events of Default

If one or more of the following events of default (each an "**Event of Default**") shall occur, the Lender shall be entitled to the remedies set forth in Clause 10.3 (*Default Remedies*).

10.1.1 The Borrower fails to pay any amount payable under a Senior Loan Agreement as and when such amount becomes payable in the currency and in the manner specified herein, provided such failure to pay continues for more than five days in the case of principal and seven days in the case of interest.

10.1.2 The Borrower fails to perform or observe any of its obligations under a Senior Loan Agreement (other than as referred to in paragraph 10.1.1 above) and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may agree) next following service by the Trustee on the Borrower of notice requiring the same to be remedied.

#### 10.1.3

- (a) Any present or future Indebtedness of the Borrower or any of its Subsidiaries is not paid when due (after the expiry of any applicable grace period); or
- (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 Borrower or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
- (c) the Borrower or any of its 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 (a) and/or sub-paragraph (b) above and/or the amount payable under any Guarantee referred to in sub-paragraph (c) above, individually or in the aggregate, exceeds €10,000,000 (or its equivalent amount in any other currency or currencies).

10.1.4 The occurrence of any of the following events: (i) any of the Borrower, or any of its Material Subsidiaries seeking or consenting to the introduction of proceedings for its liquidation; or (ii) the presentation or filing of a petition in respect of any of the Borrower or its Material Subsidiaries in any court or before any agency alleging, or for, the bankruptcy, insolvency, dissolution, liquidation (or any analogous proceedings) of any of the Borrower or its Material Subsidiaries, unless the petition is withdrawn or dismissed within 30 days of such presentation or filing; or (iii) the announcement by an appropriate court in the Republic of Poland of the insolvency (*upadło*) of any of the Borrower or any of its Material Subsidiaries pursuant to the Polish Bankruptcy and Recovery Law dated 28 February 2003 or any other laws or regulations that may replace the above; and/or (iv) any declaration of liquidation of the Borrower or any of

its Material Subsidiaries pursuant to the Polish Banking Law dated 29 August 1997, or any other laws or regulations which may replace the above.

- 10.1.5 (i) The Borrower or any of its Material Subsidiaries is unable or admits its inability to pay its debts as they fall due, generally suspends making payments on its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling a material part of its Indebtedness; (ii) the value of the assets of any of the Borrower or its Material Subsidiaries is less than its liabilities; and/or (iii) a moratorium is declared in respect of any Indebtedness of any of the Borrower or its Material Subsidiaries.
- 10.1.6 Any expropriation, attachment, sequestration, execution or distress is levied against, or an encumbrancer takes possession of or sells, the whole or any material part of, the undertaking, revenues or assets of the Borrower or any of its Material Subsidiaries unless the levy against such undertaking, revenues or assets is discharged or dismissed within 30 days.
- 10.1.7 Any governmental authorisation necessary for the performance of any obligation of the Borrower under the Senior Loan Agreement fails to be in full force and effect, if such failure is not remedied within 30 days of its occurrence.
- 10.1.8 All or a majority of the issued shares of any member of the Group or the whole or any part (the book value of which is 10 per cent. or more the book value of the whole) of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired, if, in the case of a member of the Group other than the Borrower or the Lender, such occurrence has a Material Adverse Effect.
- 10.1.9 The Borrower's general banking licence is revoked or the Borrower is prohibited from conducting any substantial part of its banking operations envisaged in its banking licence.
- 10.1.10 The aggregate amount of unsatisfied judgements, decrees or orders of courts or other appropriate law-enforcement bodies for the payment of money against the Borrower or any of its Subsidiaries exceeds €10,000,000 in aggregate, or the equivalent thereof in any other currency or currencies, and there is a period, being the later of, 60 days or such period as may be specified in the relevant judgment, decree or order following the entry thereof during which such judgment, decree or order is not appealed or within the period of time prescribed by Polish law, satisfied, discharged, waived or the execution thereof stayed and such default continues for 10 Business Days after the notice specified in Clause 10.2 (*Notice of Default*).
- 10.1.11 At any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its obligations under the Senior Loan Agreement or any of such obligations (subject as provided in sub-clause 8.1.2 of Clause 8.1 (*The Borrower's Representations and Warranties*)) are not, or cease to be, legal, valid, binding and enforceable and such unlawfulness or cessation has a Material Adverse Effect.
- 10.1.12 The Borrower ceases to carry on the business of banking and deposit-taking in Poland.
- 10.1.13 The Borrower repudiates or communicates in writing to any other person an intention to repudiate any of the Borrower Agreements.
- 10.1.14 Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing sub-clauses.

## 10.2 Notice of Default

The Borrower shall deliver to the Lender and the Trustee within (i) 10 days of any written request by the Lender or the Trustee, or (ii) within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate, substantially in the form set out in Schedule 2, stating whether any Potential Event of Default or Event of Default has occurred, its status and what action the Borrower is taking or proposes to take with respect thereto.

## 10.3 Default Remedies

If any Event of Default shall occur and be continuing, the Lender may, by notice in writing to the Borrower, (a) declare the obligations of the Lender under the relevant Senior Loan Agreement to be terminated, whereupon such obligations shall terminate, and (b) declare all amounts payable under such Senior Loan Agreement by the Borrower that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower.

## 10.4 Right of Set-Off

If any amount payable by the Borrower hereunder is not paid as and when due, the Borrower authorises the Lender to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien, counterclaim or otherwise, against any assets of the Borrower in any currency that may at any time be in the possession of the Lender, at any branch or office, to the full extent of all amounts payable to the Lender hereunder.

## 10.5 Rights Not Exclusive

The rights provided for in the Senior Loan Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

## 11. INDEMNITY

### 11.1 Indemnification

The Borrower undertakes to the Lender, that if the Lender, each director, officer, employee or agent of the Lender and each person controlling the Lender within the meaning of the United States securities laws (each an "**indemnified party**") incurs any loss, liability, cost, claim, charge, expense (including without limitation taxes, legal fees, costs and expenses), demand or damage (a "**Loss**") as a result of or in connection with the Senior Loan, the Senior Loan Agreement (or enforcement thereof), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes corresponding to such Senior Loan or Senior Loan Agreement being outstanding, the Borrower shall pay to the Lender on demand an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred unless such Loss was either caused by such indemnified party's negligence or wilful misconduct or arises out of a breach of the representations and warranties of the Lender contained herein or in the Dealer Agreement. The Lender shall not have any duty or obligation whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this Clause.

### 11.2 Independent Obligation

Clause 11.1 (*Indemnification*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with each Senior Loan Agreement or any other obligations of the Borrower in connection with the issue of the Notes by the Lender

and shall not affect, or be construed to affect, any other provision of any Senior Loan Agreement or any such other obligations.

### 11.3 Evidence of Loss

If requested by the Borrower, the Lender shall use its reasonable endeavours to provide the Borrower with a certificate of the Lender setting forth the amount of losses, expenses and liabilities described in Clause 11.1 (*Indemnification*) and specifying in full detail the basis therefore. Any such certificate shall, in the absence of manifest error, be conclusive evidence of the amount of such losses, expenses and liabilities.

### 11.4 Currency Indemnity

To the fullest extent permitted by law, the obligation of the Borrower under this Agreement, each Senior Loan Supplement or any other obligations of the Borrower in connection with the issue of the Notes by the Lender, in respect of any amount due in the currency (the "**first currency**") in which the same is payable shall, notwithstanding any payment in any other currency (the "**second currency**") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the first currency that the Lender may, acting reasonably and in accordance with normal banking procedures, purchase with the sum paid in the second currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in the first currency that may be so purchased for any reason falls short of the amount originally due the Borrower hereby agrees to indemnify and hold harmless the Lender against any deficiency in the first currency. Any obligation of the Borrower not discharged by payment in the first currency shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided in this Agreement and any Senior Loan Supplement, shall continue in full force and effect.

## 12. SURVIVAL

The obligations of the Borrower pursuant to Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Cross-Up*), 6.3 (*Withholding on Notes*), 11 (*Indemnity*), 14.2 (*Stamp Duties*) and 24 (*Limited Recourse and Non-Petition*) shall survive the execution and delivery of each Senior Loan Agreement and the drawdown and repayment of the relevant Senior Loan, in each case by the Borrower.

## 13. EXPENSES

### 13.1 Reimbursement of Front-end Expenses for the Extension of the Senior Loan by the Lender

The Borrower shall reimburse the Lender in the Specified Currency for all reasonable costs and expenses incurred by the Lender in connection with the negotiation, preparation and execution of each Senior Loan Agreement and all related documents and other expenses connected with the extension of each Senior Loan, including, without limitation, the reasonable fees and expense of its counsel.

### 13.2 Payment of Ongoing Expenses

In addition, the Borrower hereby agrees to pay to or to the order of the Lender on demand in the Specified Currency the upfront acceptance fee of the Trustee and all ongoing commissions, costs, fees and expenses and taxes (including, without limitation, enforcement costs), payable by the Lender under or in respect of the Lender Agreements and the letter entered into between the Borrower, the Lender, the Trustee, the Account Bank and the Agents dated 31 July 2008 in respect of the Programme (as amended, modified, supplemented and/or restated from time to time, the "**Fee Side Letter**"). The Borrower shall also pay the Lender for, or pay to the order of

the Lender for, any indemnification or other payment obligations of the Lender under or in respect of the Agency Agreement, the Account Bank Agreement, Trust Deed and/or the Fee Side Letter (other than the obligation of the Lender to make payments of principal, interest or additional amounts in respect of the corresponding Series of Notes). Payments to the Lender or to the order of the Lender referred to in this Clause 13.2 (*Payment of Ongoing Expenses*) shall be made by the Borrower at least one Business Day before the relevant payment is to be made or expense incurred.

### 13.3 **Invoices**

All payments, costs, commissions, fees and expenses to be paid or reimbursed by the Borrower or agreed to be paid by, or to the order of, the Lender, shall be paid or reimbursed upon receipt of an appropriate invoice (including value added taxes if applicable) submitted to the Borrower or to the Lender (as applicable).

## 14. **GENERAL**

### 14.1 **Evidence of Debt**

The entries made in the relevant Account shall, in the absence of manifest error, constitute prima facie evidence of the existence and amounts of the Borrower's obligations recorded therein.

### 14.2 **Stamp Duties**

14.2.1 The Borrower shall pay all stamp, registration and documentary Taxes or similar charges (if any) which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Senior Loan Agreement and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to pay such Taxes or similar charges.

14.2.2 The Borrower agrees that if the Lender incurs a liability to pay any stamp, registration and documentary Taxes or similar charges (if any) which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Senior Loan Agreement and any documents related thereto, the Borrower shall repay the Lender on demand an amount equal to such stamp or other documentary taxes or duties and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to procure the payment of such Taxes or similar charges.

### 14.3 **Waivers**

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power to privilege under any Senior Loan Agreement, and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in each Senior Loan Agreement are cumulative and not exclusive of any rights, or remedies provided by applicable law.

### 14.4 **Prescription**

Subject to the Lender having received the principal amount thereof or interest thereon from the Borrower, the Lender shall forthwith repay to the Borrower the principal amount or the interest

amount thereon, respectively, of any Series of Notes upon such Series of Notes becoming void pursuant to Condition 11 of such Notes.

## 15. NOTICES

All notices, requests, demands or other communications to or upon the respective parties to each Senior Loan Agreement shall be given or made in the English language by fax or otherwise in writing and shall be deemed to have been duly given or made at the time of delivery, if delivered by hand or courier or if sent by facsimile transmission or by airmail, to the party to which such notice, request, demand or other communication is required or permitted to be given or made under such Senior Loan Agreement addressed as follows:

### 15.1.1 if to the Borrower:

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna  
ul. Puławska 15  
02-515 Warsaw  
Poland

Tel: +48 22 521 81 41  
Fax: +48 22 521 88 62

Attention: Ms Ilona Wołyniec, Managing Director – Investment Banking Division

### 15.1.2 if to the Lender:

PKO Finance AB (publ)  
Stockholm  
Sweden

Fax: +46 8611 34 34

Attention: The Directors – PKO Finance AB (publ)

### 15.1.3 if to the Trustee:

Citicorp Trustee Company Limited  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Fax: +44 (0) 207 500 5877

Attention: Agency and Trust

or to such other address or fax number as any party may hereafter specify in writing to the other.

## 16. ASSIGNMENT

### 16.1 General

Each Senior Loan Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights or obligations under such Senior Loan Agreement. Any reference in a Senior Loan Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender, following the enforcement of the security and/or assignment referred to in Clause 16.3 (*By the Lender*) below, shall be references to the exercise of such rights or discretions by the Trustee (as Trustee).

## 16.2 **By the Borrower**

The Borrower shall not be entitled to assign, charge, transfer, declare a trust over or otherwise encumber or dispose of all or any part of its rights or obligations hereunder to any other person.

## 16.3 **By the Lender**

Subject to clause 23 of the Trust Deed, the Lender may not assign, charge, transfer, declare a trust over or otherwise encumber or dispose of, in whole or in part, any of its rights and benefits or obligations under any Senior Loan Agreement (other than the Reserved Rights) except (i) the charge by way of first fixed charge granted by the Lender in favour of the Trustee (as Trustee) of certain of the Lender's rights and benefits under each Senior Loan Agreement and (ii) the absolute assignment by the Lender to the Trustee of certain rights, interests and benefits under each Senior Loan Agreement, in each case, pursuant to clause 6.2 of the relevant Supplemental Trust Deed.

## 17. **LAW AND JURISDICTION**

### 17.1 **Governing Law**

Each Senior Loan Agreement and any non-contractual obligations arising out of or in connection with each Senior Loan Agreement are governed by English law.

### 17.2 **Jurisdiction**

The courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with any Senior Loan Agreement (including a dispute relating to the existence, validity or termination of any Senior Loan Agreement or any non-contractual obligation arising out of or in connection with any Senior Loan Agreement) or the consequences of its nullity.

### 17.3 **Appropriate Forum**

The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes between them and, accordingly, that they will not argue to the contrary.

### 17.4 **Right of Lender to Take Proceedings Outside England**

Clause 17.2 (*Jurisdiction*) is for the benefit of the Lender only. As a result, nothing in Clause 17.2 (*Jurisdiction*) prevents the Lender from taking Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent Proceedings in any number of jurisdictions.

### 17.5 **Lender's and Borrower's Process Agent**

Each of the Lender and the Borrower irrevocably appoints the Borrower at its London branch, being at the date of this Agreement at Shaftesbury House, 151 Shaftesbury Avenue, London WC2H 8AL, United Kingdom to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Lender). If such person is not or ceases to be effectively appointed to accept service of process on the Lender's behalf, the Lender shall, on the written demand of the Borrower, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Borrower shall be entitled to appoint such a person by written notice to the Lender, at the Borrower's cost. Nothing in this Clause shall affect the right of the Borrower to serve process in any other manner permitted by law.

18. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

Other than the Trustee, a person who is not a party to a Senior Loan Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of such Senior Loan Agreement.

19. **COUNTERPARTS**

Each Senior Loan Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

20. **LANGUAGE**

The language which governs the interpretation of each Senior Loan Agreement is the English language.

21. **AMENDMENTS**

Except as otherwise provided by its terms, each Senior Loan Agreement may not be varied except by an agreement in writing signed by the parties hereto.

22. **PARTIAL INVALIDITY**

The illegality, invalidity or unenforceability to any extent of any provision of each Senior Loan Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

23. **SEVERABILITY**

In case any provision in or obligation under any Senior Loan Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

24. **LIMITED RECOURSE AND NON PETITION**

Neither the Borrower nor any other person acting on its behalf shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender under this Agreement, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

The Borrower hereby agrees that it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received and retained by or for the account of the Lender pursuant to this Loan Agreement (the "**Lender Assets**"), subject always (1) to the Security Interests (as defined in the Trust Deed) and (2) to the fact that any claims of the Dealers (as defined in the Dealer Agreement) pursuant to the Dealer Agreement shall rank in priority to any claims of the Borrower hereunder, any such claim by any and all such Dealers or the Borrower shall be reduced pro rata so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them. The Trustee having realised the same, neither the Borrower nor any person acting on its behalf shall be entitled to take any further steps against the Lender to

recover any further sums and no debt shall be owed by the Lender to such person in respect of any such further sum. In particular, the Borrower shall not be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Lender.

**IN WITNESS WHEREOF**, the parties hereto have caused this Senior Facility Agreement to be executed on the date first written above.

For and on behalf of

**POWSZECHNA KASA OSZCZ DNO CI BANK POLSKI SPÓŁKA AKCYJNA**

By:

Title:

By:

Title:

Signed by duly authorised signatories of

**PKO FINANCE AB (PUBL)**

By:

Title:

By:

Title:

**SCHEDULE 1**  
**FORM OF SENIOR LOAN SUPPLEMENT**

[DATE]

**POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA**

**and**

**PKO FINANCE AB (PUBL)**

**SENIOR LOAN SUPPLEMENT**

to be read in conjunction with a Senior Facility Agreement (as defined herein)

in respect of  
a Senior Loan of [●]  
Series [●]

**THIS SENIOR LOAN SUPPLEMENT** is made on [SIGNING DATE],

**BETWEEN:**

- (1) **PKO FINANCE AB (PUBL)** a public company with limited liability incorporated in the Kingdom of Sweden whose registered office is at c/o, AB 1909 Corporate Services, Norrlandsgatan 18, 11143 Stockholm, Sweden (the “**Lender**”); and
- (3) **POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA**, a company established under the laws of the Republic of Poland whose registered office is at Puławska 15, Warsaw, Poland (the “**Borrower**”).

**WHEREAS:**

- (A) The Borrower has entered into an amended and restated senior facility agreement dated 23 April 2010 (as amended, modified, supplemented and/or restated from time to time, the “**Senior Facility Agreement**”) with the Lender in respect of the Lender’s €3,000,000,000 Programme for the Issuance of Loan Participation Notes (the “**Programme**”).
- (B) the Borrower proposes to borrow [●] (the “**Senior Loan**”) and the Lender wishes to make such Senior Loan on the terms set out in the Senior Facility Agreement and this Senior Loan Supplement.

**IT IS AGREED** as follows:

**1. Definitions**

Capitalised terms used but not defined in this Senior Loan Supplement shall have the meaning given to them in the Senior Facility Agreement save to the extent supplemented or modified herein.

**2. Additional Definitions**

For the purpose of this Senior Loan Supplement, the following expressions used in the Senior Facility Agreement shall have the following meanings:

“**Account**” means the account in the name of the Lender with the Account Bank (account number [●], [●]) or such other account as may from time to time be agreed between the Lender and the Trustee pursuant to the Trust Deed and notified to the Borrower in writing at least 5 Business Days in advance of such change;

“**Borrower Account**” means the account in the name of the Borrower (account number [●])[*insert further details*];

“**Calculation Agent**” means Citibank, N.A.;

“**Closing Date**” means [●];

“**Early Redemption Amount**” means [●] per [●] amount of the Senior Loan, plus accrued interest, if any, to the Call Redemption Date; [*include if Call Option is applicable, otherwise delete*]

“**Notes**” means [●] [[●] per cent.][Floating Rate] Loan Participation Notes due [●] issued by the Lender as Series [●] under the Programme;

“**Put Settlement Date**” means [●]; [*include if Put Option is applicable, otherwise delete*]

“**Repayment Date**” means [●] [*amend as required for Floating Rate Notes*];

“**Senior Loan Agreement**” means the Senior Facility Agreement as amended and supplemented by this Senior Loan Supplement;

“**Specified Currency**” means [●];

“**Subscription Agreement**” means an agreement between the Lender, the Borrower and [insert names of managers] dated [●] relating to the Notes; and

“**Trust Deed**” means the Principal Trust Deed dated 23 April 2010 as amended, modified, supplemented and/or restated from time to time between the Lender and the Trustee as amended and supplemented by a Supplemental Trust Deed dated [●] constituting and securing the Notes.

**3. Incorporation by Reference**

Except as otherwise provided, the terms of the Senior Facility Agreement shall apply to this Senior Loan Supplement as if they were set out herein and the Senior Facility Agreement shall be read and construed, only in relation to the Senior Loan constituted hereby, as one document with this Senior Loan Supplement.

**4. The Senior Loan**

**4.1 Drawdown**

Subject to the terms and conditions of the Senior Loan Agreement, the Lender agrees to make the Senior Loan on the Closing Date to the Borrower and the Borrower shall make a single drawing in the full amount of the Senior Loan[, which Senior Loan shall be used to fund [the Borrower’s lending activities/for general banking purposes/[other specific purposes]].

**4.2 Interest**

The Senior Loan is a [Fixed Rate][Floating Rate] Senior Loan. Interest shall be calculated, and the following terms used in the Senior Facility Agreement shall have the meanings, as set out below:

<b>4.2.1 Fixed Rate Senior Loan Provisions</b>	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i) Interest Commencement Date:	[●]
(ii) Rate[(s)] of Interest:	[●] per cent. per annum [payable annually/semi-annually] in arrear]
(iii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “ <b>Business Day</b> ”]/not adjusted]
(iv) Calculation Amount:	[●]
(v) Specified Denomination:	[●]
(vi) Fixed Amount[(s)]:	[●] per Calculation Amount
(vii) Broken Amount:	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]

*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount [(s)] and the Interest Payment Date(s) to which they relate]*

- (viii) Day Count Fraction (Clause 4.9 (Definitions)):  *(Day count fraction should be Actual/Actual-ICMA for all fixed rate senior loans other than those denominated in US dollars, unless specified)*
- (ix) Determination Date(s) (Clause 4.9 (Definitions)):  *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 interest period] [Only to be completed for a Senior Loan where Day Count Fraction is Actual/Actual-ICMA.]*
- (x) Other terms relating to the method of calculating interest for Fixed Rate Senior Loans:  *[Not Applicable/give details]*

**4.2.2 Floating Rate Senior Loan Provisions**  *[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Interest Commencement Date:
- (ii) Interest Period(s):
- (iii) Specified Interest Payment Dates:
- (iv) Business Day Convention:  *[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]*
- (v) Business Centre(s) (Clause 4.9 (Definitions)):
- (vi) Manner in which the Rate(s) of Interest is/are to be determined:  *[Screen Rate Determination/ISDA Determination/other (give details)]*
- (b) Interest Period Date(s):  *[Not Applicable/specify dates]*
- (i) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):

- (ii) Screen Rate Determination (sub-clause 4.3.3 of Clause 4.3 (*Interest for Floating Rate Senior Loans*)):
- Relevant Time:
  - Interest Determination Date:  *[TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]*
  - Primary Source for Floating Rate:  *[Specify relevant screen page and rate or "Reference Banks"]*
  - Reference Banks (if Primary Source is "Reference Banks"):  *[Specify four]*
  - Relevant Financial Centre:  *[The financial centre most closely connected to the Benchmark – specify if not London]*
  - Benchmark:  *[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]*
  - Representative Amount:  *[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]*
  - Effective Date:  *[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]*
  - Specified Duration:  *[Specify period for quotation if not duration of Interest Accrual Period]*
- (iii) ISDA Determination (Clause 4.3 (*Interest for Floating Rate Senior Loans*)):
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
  - ISDA Definitions: (if different from those set out in the Conditions)
- (iv) Margin(s):  +/-  per cent. per annum
- (v) Minimum Rate of Interest:  per cent. per annum

- (vi) Maximum Rate of Interest:  per cent. per annum
- (vii) Day Count Fraction (Clause 4.9 (Definitions)):
- (viii) Rate Multiplier:
- (ix) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Senior Loans, if different from those set out in the Senior Facility Agreement:

4.2.3 **Dual Currency Provisions** [Applicable/Not Applicable] (If not applicable, delete the remaining sub paragraphs of this paragraph)

- (i) Rate of Exchange/ method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

4.2.4 **Put Option** [Applicable/Not Applicable]

4.2.5 **Call Option** [Applicable/Not Applicable]

- (i) Call Option Commencement Date: /[Not Applicable]

## 5. Fees and Expenses

Pursuant to Clause 3.2 (*Senior Loan Arrangement Fee*) of the Senior Facility Agreement and in consideration of the Lender making the Senior Loan to the Borrower, the Borrower hereby agrees that it shall, one Business Day before the Closing Date, pay to or to the order of the Lender, in Same-Day Funds, the total amount of , being the "**Arrangement Fee**" in respect of the Senior Loan as set forth in Clause  of the Subscription Agreement pursuant to an invoice submitted by, or at the request of, the Lender to the Borrower in the total amount.

## 6. Governing Law

This Senior Loan Supplement and any non-contractual matters arising out of or in connection with it are governed by English law.

This Senior Loan Supplement has been entered into on the date stated at the beginning.

**POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA**

By:

By:

**PKO FINANCE AB (PUBL)**

By:

By:

## SCHEDULE 2

### FORM OF OFFICERS' CERTIFICATE

To:

Citicorp Trustee Company Limited  
Canada Square  
Canary Wharf  
London E14 5LB

From: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna

Dated:

Dear Sirs

**Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna – Amended and Restated Senior Facility Agreement dated 23 April 2010 (as amended, modified, supplemented and/or restated from time to time, the “Senior Facility Agreement”)**

We refer to the Senior Facility Agreement. Terms defined therein shall mean the same herein. This is an Officers' Certificate for the purposes thereof:

For and on behalf of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna

Signed:	principal executive officer/ principal accounting officer/ principal financial officer of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna	[officer] of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
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[encl:] *[Auditors' report as to extraction]*

## 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 SA/NV (“**Euroclear**”) and/or Clearstream Banking, société anonyme, Luxembourg (“**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 ECB 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.

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) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (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 prompt delivery (free of charge to the bearer) of such 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) surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of 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 the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

***Temporary Global Note exchangeable for Bearer Notes in definitive form (“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 Principal Paying Agent within 30 days of the bearer requesting such exchange.

***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:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) 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 (b) any of the circumstances described in Condition 9 (*Enforcement*) in “*Terms and Conditions of the Notes*” 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 relevant Final Terms), in an aggregate principal amount equal to the principal amount of 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 Principal Paying Agent within 30 days of the bearer requesting such exchange.

***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 supplement, amend and/or replace 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 certificate in registered form (a “**Global Note Certificate**”), in each case as specified in the relevant Final Terms. Each Global Note Certificate 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 registered in the name of a nominee for such depositary 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 Note Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Global Registered Note”, then if (a) 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 (b) any of the circumstances described in Condition 9 (*Enforcement*) in “*Terms and Conditions of the Notes*” occurs.

Whenever the Global Note Certificate 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 Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate 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 Note Certificate 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.

***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 supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate 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 of the Notes, which contain summaries of certain provisions of the Trust Deed, and which (subject to completion and amendment in accordance with the provisions of the relevant Final Terms) will be attached to the Notes in definitive form, if issued, and (subject to the provisions thereof) apply to the Global Notes representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the relevant Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive Notes. 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 in Global Form" below. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed and the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by, are subject to, and have the benefit of, a supplemental trust deed dated the Issue Date specified in the relevant Final Terms (the "**Supplemental Trust Deed**") supplemental to the amended and restated trust deed dated 23 April 2010 (as amended, modified, supplemented and/or restated as at the Issue Date, the "**Principal Trust Deed**"), each made between PKO Finance AB (publ) (the "**Issuer**") and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include any trustee or trustees for the time being under the Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**"). The Principal Trust Deed and the Supplemental Trust Deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified, are together referred to as the "**Trust Deed**".

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing either:

- (a) a senior loan (the "**Senior Loan**") to Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (the "**Borrower**") as specified in the relevant Final Terms on the terms of an amended and restated senior facility agreement dated 23 April 2010 (as amended, modified, supplemented and/or restated from time to time, the "**Senior Facility Agreement**"), as supplemented on the Issue Date specified in the relevant Final Terms by a senior loan supplement (the "**Senior Loan Supplement**" and, together with the Senior Facility Agreement, the "**Senior Loan Agreement**") each between the Issuer and the Borrower; or
- (b) a subordinated loan to the Borrower (the "**Subordinated Loan**") as specified in the relevant Final Terms, on the terms of a subordinated facility agreement (as amended, modified, supplemented and/or restated from time to time, the "**Subordinated Facility Agreement**") to be dated on or before the Issue Date of such Notes, as supplemented on the Issue Date specified in the relevant Final Terms by a subordinated loan supplement (the "**Subordinated Loan Supplement**" and, together with the Subordinated Facility Agreement, the "**Subordinated Loan Agreement**") each between the Issuer and the Borrower.

If a Senior Loan is specified in the relevant Final Terms, all references in these Terms and Conditions (the "**Conditions**") to the "**Loan**", the "**Facility Agreement**", the "**Loan Supplement**" and the "**Loan Agreement**" shall be construed as being references to the "**Senior Loan**", the "**Senior Facility Agreement**", the "**Senior Loan Supplement**" and the "**Senior Loan Agreement**", respectively.

If a Subordinated Loan is specified in the relevant Final Terms, all references in these Conditions to the "**Loan**", the "**Facility Agreement**", the "**Loan Supplement**" and the "**Loan Agreement**" shall be construed as being references to the "**Subordinated Loan**", the "**Subordinated Facility Agreement**", the "**Subordinated Loan Supplement**" and the "**Subordinated Loan Agreement**", respectively.

The Notes have the benefit of, and payments in respect of the Notes will be made (subject to the receipt of funds in relation to the Loan from the Borrower) pursuant to, an amended and restated paying agency agreement dated 23 April 2010 (as amended, modified, supplemented and/or restated from time to time, the “**Agency Agreement**”) and made between the Issuer, the Borrower, the Trustee, Citibank, N.A., London Branch and Dexia Banque Internationale à Luxembourg. Citibank, N.A., London Branch will act as principal paying agent (the “**Principal Paying Agent**”), transfer agent (the “**Transfer Agent**”), calculation agent (the “**Calculation Agent**”) and, in respect of the registered notes (if any), the registrar (the “**Registrar**”). Dexia Banque Internationale à Luxembourg will act as a paying agent (and together with the Principal Paying Agent, the “**Paying Agents**” and each a “**Paying Agent**”). Dexia Banque Internationale à Luxembourg will act as Luxembourg paying agent (the “**Luxembourg Paying Agent**”), and together with the Principal Paying Agent, the Paying Agents, the Transfer Agent, the Calculation Agent and the Registrar, the “**Agents**”).

Hard copies of the Trust Deed, the Loan Agreements, the Agency Agreement, the Account Bank Agreement and the Final Terms are available for inspection by Noteholders during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the principal office of the Trustee being, at the date hereof, at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the respective specified offices of the Principal Paying Agent and Luxembourg Paying Agent.

Certain provisions of these Conditions include summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Final Terms, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed) and the Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions thereof.

## 1. STATUS, SECURITY AND LIMITATION OF LIABILITY

### 1.1 *Status and Security*

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of Reserved Rights.

Under the Trust Deed, the obligations of the Issuer in respect of the Notes constitute secured and limited recourse obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves.

In the event that the payments under the Loan Agreement are made by the Borrower to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto* satisfy the obligations of the Issuer in respect of the Notes.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively on the Borrower’s covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer. None of the Noteholders, the Trustee or the other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, examinership, moratorium, reorganisation, controlled

management, arrangement, insolvency, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors or the Trustee for so long as the Notes are outstanding, save for lodging a claim in a liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

The Issuer has charged by way of first fixed charge in favour of the Trustee for itself and on behalf of the Noteholders certain of its rights and interests as lender under the Loan Agreement (other than any rights and benefits constituting Reserved Rights) as security for its payment obligations in respect of the Notes and under the Trust Deed (the "**Charge**") and has assigned absolutely certain other rights under the Loan Agreement to the Trustee (together with the Charge, the "**Security Interests**"). "**Reserved Rights**" are the rights excluded from the Security Interests, being all and any rights, interests and benefits of the Issuer in respect of the obligations of the Borrower under Clause 3.4 (*Ongoing Fees and Expenses*), Clause 11 (*Indemnity*), Clause 12 (*Survival*) and Clause 14.2 (*Stamp Duties*) of the Senior Facility Agreement and the equivalent clauses in the Subordinated Facility Agreement, as the case may be, and in the case of the Senior Facility Agreement only, Clause 9.4 (*Withholding Tax Exemption*).

In certain circumstances, the Trustee shall (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least 25% of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Series Security).

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Borrower except through action by the Trustee pursuant to the relevant Series Security granted to the Trustee in the Trust Deed. The Trustee shall not be required to take enforcement proceedings under the Trust Deed, following the enforcement of the Series Security created in the Trust Deed, or the Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction.

The obligations of the Issuer under the Notes shall be solely to make payments of amounts in aggregate equivalent to each sum actually received by or for the account of the Issuer from the Borrower in respect of principal, interest or, as the case may be, other amounts relating to the Loan (less any amounts in respect of the Reserved Rights), the right to receive which will, *inter alia*, be assigned to the Trustee as security for the Issuer's payment obligations in respect of the Notes. Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received or recovered by or on behalf of the Issuer or the Trustee. Noteholders shall look solely to such sums for payments to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets (including the Issuer's rights with respect to any Loan relating to any other Series of Notes) in respect thereof. In the event that the amount due and payable by the Issuer under the Notes exceeds the sums so received or recovered, the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

## 1.2 ***Limitation of Liability***

The Trust Deed provides that payments in respect of the Notes equivalent to the sums actually received by or for the account of the Issuer by way of principal, interest or additional amounts

(if any) pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights and subject to Condition 8 (*Taxation*), will be made *pro rata* among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, neither the Issuer nor the Trustee shall be under any obligation to exercise in favour of the Noteholders any rights of setoff or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

Noteholders have notice of, and are deemed to have accepted, these Conditions, the Final Terms and the contents of the Trust Deed, the Agency Agreement, the Account Bank Agreement and the Loan Agreement. It is hereby expressly **provided that**, and Noteholders are deemed to have accepted that:

- 1.2.1 neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, (in the case of only the Issuer) save as otherwise expressly provided in the Trust Deed, liability or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest (or any additional amounts if any) due or to become due from the Borrower under the Loan Agreement;
- 1.2.2 the Trustee shall not at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Agents of their respective obligations;
- 1.2.3 neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the financial condition, creditworthiness, affairs, status or nature of the Borrower;
- 1.2.4 neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;
- 1.2.5 the financial servicing of the terms of the Notes depends solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement and its covenant to make payments under the Loan Agreement and its credit and financial standing;
- 1.2.6 the Issuer and the Trustee shall be entitled to rely on certificates of the Borrower (and, where applicable, certification by third parties) as a means of monitoring whether the Borrower is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Trust Deed and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the assigned property which is subject to the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee has no responsibility for the value of such security.

The Trustee shall not at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions and/or the Trust Deed until it has received from the Borrower the funds that are necessary to cover the costs, expenses and all

other liabilities in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds.

## 2. **FORM, DENOMINATION, TITLE AND TRANSFER**

### 2.1 ***Form and Denomination***

The Notes will be issued in bearer or registered form, and in the Specified Denomination(s) which shall be not less than EUR 50,000 or its equivalent in other currencies, and which may include a minimum denomination and higher integral multiples of a smaller amount, without interest coupons, **provided that** Notes with a maturity of less than 365 days shall be held in amounts not less than £100,000 (or its equivalent in other currencies).

A Note issued under the Principal Trust Deed may be a Fixed Rate Note, a Floating Rate Note, a combination of the foregoing or any other kind of Note, depending upon the Interest and Redemption/ Payment Basis specified in the relevant Final Terms.

### 2.2 ***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.

### 2.3 ***Title to Bearer Notes***

Title to Bearer Notes and 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.

### 2.4 ***Registered Notes***

Registered Notes are issued 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.

### 2.5 ***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.

### 2.6 ***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.

## 2.7 **Transfers of Registered Notes**

Subject to Condition 2.10 (*Closed periods*) and Condition 2.11 (*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.

## 2.8 **Registration and delivery of Note Certificates**

Within five business days of the surrender of a Note Certificate in accordance with Condition 2.7 (*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 Condition 2.8 (*Registration and delivery of Note Certificates*), “**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.

## 2.9 **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.

## 2.10 **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.

## 2.11 **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.

## 3. **RESTRICTIVE COVENANT**

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution (as defined in the Trust Deed), agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust

Deed or the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*).

The Trust Deed provides that, save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee, shall not, *inter alia*: (i) incur any Indebtedness (as defined in the Trust Deed) (other than issuing further Notes (which may be consolidated and form a single series with Notes of any Series) under the Programme and/or issuing securities in connection with other limited recourse financing arrangements permitted under the Trust Deed and/or creating or incurring further obligations relating to such Notes or such other limited recourse financing arrangements); (ii) engage in any business (other than entering into the Programme, issuing Notes thereunder from time to time for the sole purpose of financing Loans to the Borrower in accordance with the Senior Facility Agreement or the Subordinated Facility Agreement, as the case may be, and each Loan Supplement, entering into a corporate services agreement for the administration of the Issuer and/or entering into other programmes or issuing securities in connection with other limited recourse financing arrangements permitted under the Trust Deed, entering into related agreements and transactions and performing any act incidental or necessary in connection with any of the foregoing); (iii) declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities); (iv) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as

contemplated in these Conditions and the Trust Deed); (v) issue any shares (other than such shares as are in issue at the date of the Principal Trust Deed); or (vi) give any guarantee or assume any other liability or petition for any voluntary winding up.

#### 4. **INTEREST**

##### 4.1 ***Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified in the relevant Final Terms, which shall be equal to the rate per annum at which interest under the relevant Loan accrues. Accordingly, on each Interest Payment Date or as soon thereafter as the same is received, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the relevant Loan received by or for the account of the Issuer pursuant to the Loan Agreement.

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will be an amount equal to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified, and in the case of the Broken Amount, will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms or as soon as thereafter as the same is received.

##### 4.2 ***Interest on Floating Rate Notes***

(a) *Interest Payment Dates*: Each Floating Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified in the relevant Final Terms, which shall be equal to the rate per annum at which interest under the Loan accrues, such interest being payable in arrears on each Interest Payment Date or as soon thereafter as the same is received. Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates

or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Accordingly, on each such date, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the Loan received by or for the account of the Issuer pursuant to the Loan Agreement.

- (b) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (c) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period (as defined in the Loan Agreement) shall be determined in the manner specified in the relevant Final Terms and as set out in the Loan Agreement.

#### 4.3 ***Accrual of Interest***

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 (*Interest*) to the Relevant Date (as defined in Condition 8 (*Taxation*)).

#### 4.4 ***Calculations***

The amount of interest payable in respect of any Note for any period shall be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount and multiplying the product by the Day Count Fraction, as specified in the relevant Final Terms and in the Loan Agreement, 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, **provided that** if an Interest Amount (or a formula for its calculation) is specified in respect of such period, the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

#### 4.5 ***Publication of Rates of Interest and Interest Amounts***

As soon as practicable after calculating or determining the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date as set out in the Loan

Agreement, the Calculation Agent shall cause such Rate of Interest and Interest Amounts to be notified to the Trustee, the Issuer, the Borrower, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination, but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4.2(b) (*Interest on Floating Rate Notes*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If a Loan becomes due and payable under (i) in the case of a Senior Loan, Clause 10 (*Events of Default*) of the Senior Facility Agreement, or in the case of a Subordinated Loan, under the relevant provisions in the Subordinated Loan Agreement relating to the repayment and prepayment of a Subordinated Loan, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties. 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.

#### 4.6 ***Determination or Calculation by Trustee***

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount pursuant to the Loan Agreement, the Trustee may do so (without any responsibility or liability to any person in relation thereto) (or may appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4.6 (*Determination or Calculation by Trustee*), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

#### 4.7 ***Step-Up Rate of Interest***

If a Step-Up Rate of Interest is specified in the relevant Final Terms, each Fixed Rate Note or Floating Rate Note, as applicable, will bear interest on its outstanding principal amount at the Initial Rate of Interest during the Initial Interest Term and at the Step-Up Rate of Interest during the Step-Up Interest Term, each as specified in the relevant Final Terms.

#### 4.8 ***Dual Currency Note Provisions***

- (a) *Application:* This Condition 4.8 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

## 5. REDEMPTION AND PURCHASE

### 5.1 *Scheduled redemption*

Unless the Loan is previously prepaid or repaid, the Borrower will be required to repay the Loan one Business Day (as defined in the Facility Agreement) before its Repayment Date (as defined in the Facility Agreement) and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will be redeemed or repaid by the Issuer in the relevant Specified Currency on the Maturity Date specified in the relevant Final Terms at their Final Redemption Amount (which, unless otherwise specified in the relevant Final Terms, is 100% of the principal amount thereof).

### 5.2 *Mandatory redemption*

If the Loan should become repayable (and be repaid) or be prepaid pursuant to the Loan Agreement prior to its scheduled repayment date, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at their principal amount, or at such other Early Redemption Amount specified in the relevant Final Terms (together with interest accrued to the date of redemption) and shall be redeemed by the Issuer. The Issuer shall provide not less than twenty five days' nor more than sixty days' notice thereof to the Trustee and the Noteholders in accordance with Condition 15 (*Notices*) which notice shall be irrevocable and shall specify a date for redemption.

To the extent that the Issuer receives amounts of principal, interest and/or additional amounts if any (other than amounts in respect of the Reserved Rights) following acceleration of the Loan pursuant to Clause 10 (*Events of Default*) of the Senior Loan Agreement or under the relevant provisions in the Subordinated Loan Agreement relating to prepayment and limited acceleration of the Subordinated Loan (as the case may be), the Issuer shall pay an amount equal to and in the same currency as such amounts on the Business Day following receipt of such amounts, subject as provided in Condition 6 (*Payments – Bearer Notes*) or Condition 7 (*Payments – Registered Notes*) (as the case may be).

### 5.3 *Call Option*

If Call Option is specified the relevant Final Terms, then pursuant to Clause 5.4 of the Senior Facility Agreement and the relevant Senior Loan Supplement, the Borrower may, at its option at any time from the Call Option Commencement Date (as specified in the relevant Final Terms) to the Repayment Date on giving not less than 30 nor more than 60 days' irrevocable notice to the Issuer, in whole or in part, prepay the Senior Loan at the Early Redemption Amount (as specified in the relevant Final Terms) (the "**Call Option Notice**"). The notice to be given (the "**Call Option**") shall specify the date for repayment of the relevant Senior Loan and the date for the redemption of the Notes (the "**Call Redemption Date**"), which shall be the next following Business Day after the date for repayment of the relevant Senior Loan. Immediately on receipt of the Call Option Notice, the Issuer shall forward it to the Noteholders, the Trustee and the Principal Paying Agent. If the relevant Senior Loan should become repayable following exercise of the Call Option by the Borrower (and be repaid) prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of such amounts from the Borrower under the relevant Senior Loan, redeem the Notes on the Call Redemption Date. In the case of a partial redemption, the Notes shall be redeemed pro rata, subject to compliance with any applicable laws and stock exchange or other regulatory requirements. The Issuer's obligations in respect of this Condition 5.3 (*Call Option*) to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Call Redemption Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the relevant Senior Loan Agreement.

#### 5.4 ***Put Option***

If a Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of any Noteholder redeem such Note on the Put Settlement Date (as specified in the relevant Final Terms) (the “**Put Option**”) at its principal amount together with accrued interest. To exercise such option a Noteholder must deposit the Note or Notes to be redeemed with any Paying Agent together with a duly completed put option notice (“**Put Option Notice**”) in the form obtainable from any of the Paying Agents, not more than 60 but not less than 30 days prior to the Put Settlement Date. No Note so deposited may be withdrawn. Provided, however, that if, prior to the Put Settlement Date, a Relevant Event has occurred or, upon due presentation of any Note on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note shall, without prejudice to the exercise of the Put Option, be returned to the Noteholder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice. The Issuer shall notify the Borrower, not more than three Business Days after receipt of notice thereof from the Paying Agent, of the amount of the Senior Loan to be prepaid as a consequence of the exercise of the Put Option. Subject to timely receipt of the relevant amounts from the Borrower under the Senior Loan Agreement, the Issuer shall redeem the Notes in accordance with this Condition 5.4 (*Put Option*) on the Put Settlement Date, subject as provided in Condition 6 (*Payments – Bearer Notes*) and Condition 7 (*Payments – Registered Notes*).

#### 5.5 ***Purchase of Notes***

The Issuer or any of its subsidiaries or the Borrower or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. Any Notes so purchased, whilst held by or on behalf of the Issuer or the Borrower or, in either case, any of its subsidiaries, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding, including, without limitation, for the purpose of calculating quorums at meetings.

#### 5.6 ***Cancellation***

The Facility Agreement provides that the Borrower may, from time to time, deliver Notes held by it to the Issuer, having an aggregate principal value of at least EUR 1,000,000 (or its equivalent in other currencies), together with a request for the Issuer to present such Notes to the Principal Paying Agent in case of Bearer Notes or to the relevant Registrar in case of Registered Notes for cancellation in consideration of the extinguishment of the principal amount of the Loan corresponding to the principal amount of such Notes surrendered for cancellation, whereupon the Issuer shall, pursuant to the Agency Agreement, request the relevant Registrar or Principal Paying Agent, as the case may be, to cancel such Notes. Notes acquired or held by the Issuer will also be presented to the relevant Registrar or Principal Paying Agent, as the case may be, for cancellation. Upon any such cancellation by or on behalf of the relevant Registrar or Principal Paying Agent, as the case may be, the principal amount of the Loan corresponding to the principal amount of such Notes surrendered for cancellation shall be extinguished as of the date of such cancellation and no further payment shall be made or required to be made by the Issuer in respect of such Notes.

### 6. **PAYMENTS – BEARER NOTES**

#### 6.1 ***Application***

This Condition 6 (*Payments – Bearer Notes*) is only applicable to Bearer Notes.

## 6.2 **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 cheque drawn in the currency in which the payment is due on, or 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 in the case of a sterling cheque, a town clearing branch of a bank in the City of London), or, in the case of euro, in a city in which banks have access to the TARGET System. For the purposes of these Conditions “**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 System**” means TARGET2 or any successor thereof.

## 6.3 **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.

## 6.4 **Interest**

Payments of interest shall, subject to Condition 6.7 (*Unmatured Coupons void*) 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 in the manner described in Condition 6.2 (*Principal*) above.

## 6.5 **Payments subject to applicable laws**

All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

## 6.6 **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:

- (a) 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;
- (b) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (i) 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-Condition would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (ii) 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 sub-Condition (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

#### 6.7 *Unmatured Coupons void*

If the relevant Final Terms specifies that this Condition 6 (*Payments – Bearer Notes*) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest 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 5.2 (*Mandatory Redemption*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

#### 6.8 *Payments on Business Days*

If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a 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 Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6.8 (*Payments on Business Days*) and in Condition 7.5 (*Payments on Business Days*) below, “**Business Day**” means a day (other than a Saturday or Sunday) on which (a) banks and foreign exchange markets are open for business generally in the relevant place of payment, and (b) if on that day a payment is to be made in a Specified Currency other than euro hereunder, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency and (c) if on that day a payment is to be made in euro hereunder, a day on which the TARGET System is operating.

#### 6.9 *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.

#### 6.10 *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.

#### 6.11 *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 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 12 (*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.

#### 6.12 ***Accrued Interest***

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the Issue Date as specified in the relevant Final Terms shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

#### 6.13 ***Payments by the Borrower***

Save as otherwise directed by the Trustee, at any time after any of the Security Interests created in the Trust Deed becomes enforceable, the Issuer will, pursuant to Clause 7 (*Payments to Noteholders*) of the Agency Agreement, require the Borrower to make all payments of principal and interest and any additional amounts (other than any amounts constituting Reserved Rights) to be made pursuant to the Loan Agreement to the Principal Paying Agent to a specified account in the name of the Issuer (the "**Account**"). Under the Charge, the Issuer will charge by way of first fixed charge all the rights, title and interest in and to all sums of money then or in the future deposited in the Account in favour of the Trustee for the benefit of itself and of the Noteholders.

### 7. **PAYMENTS – REGISTERED NOTES**

#### 7.1 ***Application***

This Condition 7 (*Payments – Registered Notes*) is only applicable to Registered Notes.

#### 7.2 ***Principal***

Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, 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 (in the case of a sterling cheque, a town clearing branch of a bank in the City of London), or, in the case of euro, in a city in which banks have access to the TARGET System, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the specified office of any Paying Agent.

#### 7.3 ***Interest***

Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, 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 (in the case of a sterling cheque, a town clearing branch of a bank in the City of London), or, in the case of euro, in a city in which banks have access to the TARGET System, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the specified office of any Paying Agent.

#### 7.4 ***Payments subject to applicable laws***

All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

#### 7.5 ***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 Business Day, for value the next succeeding Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (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 (A) the due date for a payment not being a Business Day or (B) a cheque mailed in accordance with this Condition 7.5 (*Payments on Business Days*) arriving after the due date for payment or being lost in the mail.

#### 7.6 ***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.

#### 7.7 ***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**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

#### 7.8 ***Accrued Interest***

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the Issue Date as specified in the relevant Final Terms shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

#### 7.9 ***Payments by the Borrower***

Save as otherwise directed by the Trustee, at any time after any of the Security Interests created in the Trust Deed becomes enforceable, the Issuer will, pursuant to Clause 6 (*Payments to Noteholders*) of the Agency Agreement, require the Borrower to make all payments of principal and interest and any additional amounts (other than any amounts constituting Reserved Rights) to be made pursuant to the Loan Agreement to the Principal Paying Agent to an account in the name of the Issuer (the "**Account**"). Under the Charge, the Issuer will charge by way of first fixed charge all the rights, title and interest in and to all sums of money then or in the future deposited in the Account in favour of the Trustee for the benefit of itself and of the Noteholders.

## 8. TAXATION

- 8.1 All payments in respect of the Notes by or on behalf of the Issuer will be made without deduction or withholding for or on account of any present or future taxes, duties or assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Poland or the Kingdom of Sweden or any political subdivision or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes, duties, assessments or governmental charges is required by law.

Where any such deduction or withholding is required by law, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required but only to the extent and only at such time as the Issuer receives and retains an equivalent amount from the Borrower under the Loan Agreement. To the extent that the Issuer receives and retains any such equivalent sum from the Borrower, the Issuer will account to each Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received and retained by, or for the account of, the Issuer pursuant to the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer, **provided that** no such additional amount will be payable in respect of any Note:

- (a) to a Noteholder who (i) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; (ii) is liable for such taxes or duties by reason of his having some connection with the Republic of Poland or the Kingdom of Sweden other than the mere holding of such Note, the receipt of payment in respect thereof, or the enforcement by such Noteholder of its rights under the Notes;
  - (b) presented such Note for payment of principal more than 30 days after the Relevant Date (as defined below) except to the extent that such additional payment would have been payable if such Note had been presented for payment on such 30th day;
  - (c) where such withholding or deduction is imposed on a payment to an individual as a residual entity and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (d) presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.
- 8.2 As used herein, "**Relevant Date**" (i) means the date on which any payment under the Loan Agreement first becomes due but (ii) if the full amount payable by the Borrower has not been received and retained by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, it means the date on which such moneys shall have been so received and retained and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 15 (*Notices*).
- 8.3 Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 8 (*Taxation*) or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## 9. ENFORCEMENT

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies.

At any time after (i) in case of Senior Loan, an Event of Default (as defined in the Senior Loan Facility Agreement), or (ii) in the case of a Subordinated Loan, an Early Repayment Event (as to be defined in the Subordinated Facility Agreement) or (iii) if a Relevant Event (as defined in the Trust Deed) shall have occurred and be continuing, the Trustee may, in accordance with all applicable laws at its discretion and without notice, and shall, if requested in writing to do so by Noteholders holding at least 25% in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction against all Liabilities (as defined in the Trust Deed) to which it may become liable and all costs, charges and expenses which may be incurred in connection therewith, declare all amounts payable under the Loan Agreement by the Borrower to be due and payable (in the case of an Event of Default or Early Repayment Event), or exercise any rights under the Series Security created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event).

Upon a declaration as provided herein and repayment of the Loan following an Event of Default or an Early Repayment, the Notes will be redeemed or repaid at their principal amount outstanding together with interest accrued to the date fixed for redemption and thereupon shall cease to be outstanding.

In the case of a Subordinated Loan, the Issuer shall have no right to accelerate payments under the Subordinated Loan Agreement in the case of a default in payments of principal, interest or other amounts due under the Subordinated Loan Agreement or for breaches of representations and covenants under the Subordinated Loan Agreement.

## 10. MEETINGS OF NOTEHOLDERS; MODIFICATION OF NOTES, TRUST DEED AND LOAN AGREEMENT; WAIVER; SUBSTITUTION OF THE ISSUER; APPOINTMENT/ REMOVAL OF TRUSTEE

### 10.1 *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, these Conditions, the Loan Agreement or the Trust Deed. Noteholders will vote *pro rata* according to the principal amount of their Notes. Special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amounts payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of 90% of all Noteholders for the time being 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.

### 10.2 *Modification and Waiver*

The Trustee may agree, without the consent of the Noteholders, to any modification of the Notes, these Conditions, the Trust Deed or the Loan Agreement (other than in respect of Reserved Matters (as defined in the Trust Deed)) which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or is not materially

prejudicial to the interests of the Noteholders of a Series of Notes. The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or by the Borrower of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, if, in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders of a Series of Notes (other than in respect of Reserved Matters); provided always that the Trustee may not exercise such power of waiver in contravention of any express direction by an Extraordinary Resolution or Written Resolution or a request of 25% in aggregate principal amount of Notes outstanding of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (*Notices*).

### 10.3 ***Substitution***

The Trust Deed and the Loan Agreement contain provisions to the effect that the Issuer may, and at the request of the Borrower shall, having obtained the consent of the Borrower and the Trustee (which latter consent may be given without the consent of the Noteholders) and having complied with such certain requirements as the Trustee may direct in the interests of the Noteholders, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to the relevant provisions of the Trust Deed and the substitute's rights under the Loan Agreement being charged and assigned, respectively, to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*). For so long as the Notes are admitted to trading on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange so requires, a supplement to the most recently published Base Prospectus prepared in connection with the Programme will be prepared and submitted to the Luxembourg Stock Exchange or any other document required by the Luxembourg Stock Exchange in respect of any such substitution.

### 10.4 ***Exercise of Powers***

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders of each Series of Notes and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer, the Borrower or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

### 10.5 ***Appointment and Removal of Trustee***

The Trust Deed contains provisions for the appointment or removal of a Trustee by a meeting of Noteholders passing an Extraordinary Resolution, **provided that**, in the case of removal of a Trustee, at all times there remains a trustee in office after such removal. Any appointment or removal of a Trustee shall be notified to the Noteholders by the Issuer in accordance with Condition 15 (*Notices*). The Trustee may also resign such appointment giving not less than three months' notice to the Noteholders **provided that** such resignation shall not become effective unless there remains a trustee in office after such resignation.

## 11. INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking proceedings to enforce payment unless indemnified and/or secured to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trustee is entitled to enter into contracts or transactions with the Issuer and/or the Borrower and any entity related to the Issuer and/or the Borrower without accounting for any profit, fees, corresponding interest, discounts or share of brokerage earned, arising or resulting from any such contract or transactions.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or by the Borrower in respect of the Loan Agreement. The Trustee has no liability to Noteholders for any shortfall arising from the Trustee being subject to tax as a result of the Trustee holding or realising the Security Interests.

## 12. 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.

## 13. REPLACEMENT OF NOTES

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the 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.

## 14. AGENTS

The names of the initial Paying Agents and their initial specified offices are set out on the Notes. The Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee, vary or terminate the appointment of the Principal Paying Agent or any of the Paying Agents, and appoint additional or other paying agents **provided that** (i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will be a paying agent and transfer agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority and (ii) there will be a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any

law implementing or complying with or introduced in order to conform to such Directive. Any such variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days' and not less than 30 days' notice thereof shall have been given to the Noteholders in accordance with Condition 15 (*Notices*).

## 15. NOTICES

### 15.1 *Notices – Bearer Notes*

Notices to the Holders 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*) and, if the Bearer Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in either case, 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 Holders of Bearer Notes.

### 15.2 *Notices – Registered Notes*

Notices to the Holders 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 and, if the Registered Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, notices to Noteholders will be published on the date of such mailing in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in either case, 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 third day after the date of mailing.

### 15.3 *Trustee approval of notice*

In case by reason of any other cause it shall be impracticable to publish any notice to holders of Notes as provided above pursuant to Condition 15.1 (*Notices – Bearer Notes*) or Condition 15.2 (*Notices – Registered Notes*) (as relevant), then such notification to such holders as shall be given with the approval of the Trustee and shall constitute sufficient notice to such holders for every purpose hereunder.

## 16. FURTHER ISSUES

The Issuer may from time to time, with the consent of the Borrower but without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount, issue price, issue date and/or the date of the first payment of interest) so as to be consolidated and form a single series with the Notes.

Such further Notes shall be constituted by a deed supplemental to the Trust Deed between the Issuer and the Trustee. The Trust Deed contains provisions for convening a single meeting of Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides. In relation to such further issue, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on substantially the same terms as the

Loan Agreement (or in all respects except for the amount and the date of the first payment of interest on the further Loan). The Issuer will provide a further fixed charge in favour of the Trustee and amend the existing Security Interests in respect of certain of its rights and interests under such loan agreement and will assign absolutely certain of its rights under such loan agreement which will secure both the Notes and such further Notes and which will amend and supplement the Security Interests in relation to the existing Notes of such Series and the Trustee is entitled to assume without enquiry that this arrangement as regards security for the Notes will not be materially prejudicial to the interests of the Noteholders.

**17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

**18. GOVERNING LAW**

The Notes, the Agency Agreement, the Loan Agreements, the Account Bank Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Agency Agreement, the Loan Agreements, the Account Bank Agreement and the Trust Deed are governed by English law other than provisions relating to subordination in the Subordinated Loan Agreement which are to be governed by Polish law. The Issuer has submitted in the Trust Deed to the exclusive jurisdiction of the courts of England and has waived any objections to the courts of England on the grounds that they are an inconvenient or inappropriate forum and has appointed an agent for the service of process in England.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

### Final Terms dated [●]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes],  
issued by, but with limited recourse to

**PKO Finance AB (publ)** (the “**Issuer**”)

under the [Programme Amount]  
Programme for the Issuance of Loan Participation Notes

for the sole purpose of financing a [Senior/Subordinated] Loan to  
**Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna** (the “**Borrower**”)

The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

## 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 [●] [and the Base Prospectus Supplement dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (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. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer, the Borrower and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the Base Prospectus Supplement] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date].*

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 [original date] and the supplement base prospectus[es] dated [original date(s)]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated [current date] [and the Base Prospectus Supplement dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”), save in respect of the Conditions which are extracted from the base prospectus dated [original date] and are

attached hereto. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer, the Borrower and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [*original date*] and [*current date*] [and the Base Prospectus Supplements dated ● and ●]. The Base Prospectuses [and the Base Prospectus Supplement] are available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

*[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 or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive].*

1. (i) Issuer: PKO Finance AB (publ)
- (ii) Borrower: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
2. [(i) Series Number:] [●]
- [(ii) Tranche Number:] [●]  
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:  
[(i) [Series]: [●]
- [(ii) Tranche: [●]]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
6. (i) Specified Denominations: [●]  
*[If the Specified Denomination is expressed to be EUR 50,000 or its equivalent and multiples of a lower principal amount, insert the additional wording as follows:*  
  
*EUR 50,000 and integral multiples of EUR [1,000] in excess thereof up to and including EUR [99,000]. No Notes in definitive form will be issued with a denomination above EUR [99,000].]*  
  
*[No Notes may be issued which have a minimum denomination of less than EUR 50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency)]*
- (ii) Calculation Amount: [●]

*[If only one Specified Denomination, insert the Specified Denomination. If more than one, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations]*

7. (i) Issue Date:  [●]
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9. Interest Basis:  per cent. Fixed Rate]  
 [[Specify reference rate] +/-  per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Other (Specify)]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Instalment]  
 [Other (Specify)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior/[Dated/Subordinated]]
- [(ii)] Status of the Loan Agreement: [Senior/[Dated/Subordinated]]
- [(iii)] [Date [Board] approval for issuance of Notes [and Loan Agreement] [respectively]] obtained:  [and ], respectively  
*[(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest:  per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]

- (ii) Interest Payment Date(s):  in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
- (iii) Fixed Coupon Amount[(s)]:  per Calculation Amount
- (iv) Broken Amount(s):  per Calculation Amount, payable on the Interest Payment Date falling [in/on]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) [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. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Interest Period(s):
- (ii) Specified Period:   
(*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
- (iii) Specified Interest Payment Dates:   
(*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
- (iv) [First Interest Payment Date]:
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
- (vi) Additional Business Centre(s): [Not Applicable/*give details*]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]

- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): *[[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]*
- (ix) Screen Rate Determination:
- Reference Rate: *[For example, LIBOR or EURIBOR]*
  - Interest Determination Date(s): **[●]**
  - Relevant Screen Page: *[For example, Reuters LIBOR 01/ EURIBOR 01]*
  - Relevant Time: *[For example, 11.00 a.m. London time/Brussels time]*
  - Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]*
- (x) ISDA Determination:
- Floating Rate Option: **[●]**
  - Designated Maturity: **[●]**
  - Reset Date: **[●]**
- (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: **[●]**
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: **[●]**
17. **Zero Coupon Note Provisions** *[Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: **[●]** per cent. per annum
  - (ii) Reference Price: **[●]**
  - (iii) Any other formula/basis of determining amount payable: *[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [10(g)]]*
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** *[Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: *[give or annex details]*

- (ii) Calculation Agent responsible for calculating the interest due:
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:
- (vi) Interest Determination Date(s):
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) Interest or calculation period(s):
- (vii) Specified Period:   
*(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (viii) Specified Interest Payment Dates:   
*(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (ix) Business Day Convention:  Floating Rate Convention/  Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other *(give details)*
- (x) Additional Business Centre(s) :
- (xi) Minimum Rate/Amount of Interest:  per cent. per annum
- (xii) Maximum Rate/Amount of Interest:  per cent. per annum
- (xiii) Day Count Fraction:
19. **Dual Currency Note Provisions**  Applicable/ Not Applicable  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange:  *(give details)*
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:

- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

## PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Call Option Redemption Date: [●]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [●] per Calculation Amount
    - (b) Maximum Redemption Amount: [●] per Calculation Amount
  - (iv) Notice period: [●]
21. **Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Put Settlement Date: [●]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) Notice period: [●]
22. **Final Redemption Amount of each Note** [●] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: *[give or annex details]*
  - (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●]
  - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]

- |        |  |                            |
|--------|--|----------------------------|
| (iv)   | Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:   | [●]                        |
| (v)    | Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: | [●]                        |
| (vi)   | [Payment Date]:  | [●]                        |
| (vii)  | Minimum Final Redemption Amount:   | [●] per Calculation Amount |
| (viii) | Maximum Final Redemption Amount:   | [●] per Calculation Amount |
23. **Early Redemption 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 and/or the method of calculating the same (if required or if different from that set out in the Conditions): | <i>(If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)</i> |
|--|---|

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. **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]
- [Registered Notes:]
- [Individual Note Certificates]

<sup>1</sup> Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[EUR 50,000] and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 99,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

- [Global Note Certificate exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Registered Note]
25. New Global Note: [Yes] [No]
26. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details.  
*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii), 16(vi) and 18(x) relate*]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/give details]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]] apply]
31. [Consolidation provisions: Not Applicable/The provisions [in Condition [●] (*Further Issues*)] [annexed to this Final Terms] apply]
32. Other final terms: [Not Applicable/give details]  
*[(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

## DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/give names]  
(ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
34. If non-syndicated, name of Dealer: [Not Applicable/give name]
35. U.S. Selling Restrictions: [Reg. S Compliance Category];  
*(In the case of Bearer Notes) – [TEFRA C/TEFRA D/TEFRA not applicable]*  
*(In the case of Registered Notes) – Not Applicable*
36. Additional selling restrictions: [Not Applicable/give details]

**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the [*specify relevant regulated market*] of the Notes described herein pursuant to the €3,000,000,000 Programme for the Issuance of Loan Participation Notes issued by, but with limited recourse to PKO Finance AB (publ) for the sole purpose of financing senior and subordinated loans to Powszechna Kasa Oszcz dno ci Bank Polski Spółka Akcyjna.

**RESPONSIBILITY**

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

Signed on behalf of

**PKO Finance AB (publ):**

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing  Luxembourg Stock Exchange/other (specify)/None
- (ii) Admission to trading  [Application is has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [specify relevant regulated market] with effect from [●].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [specify relevant regulated market] with effect from [●].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

### 2. RATINGS

- Ratings:  [[The Programme has been/The Notes to be issued have been] rated:]
- [S&P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]
- [[Other]: [●]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

*Need to include a description of any interest, including conflicting ones, that is material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:]*

*["Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]*

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

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

- (i) Reasons for the offer:  [●]  
*(See "Use of Proceeds" wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here. )*
- (ii) Estimated net proceeds:  [●]

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

- (iii) Estimated total expenses relating to the admission to trading:  [Include breakdown of expenses]  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

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/other] rates can be obtained from [Reuters]. ]

7. **[Index-linked or other variable-linked notes only – PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/ other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]

8. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

9. **OPERATIONAL INFORMATION**

ISIN Code:	<input type="checkbox"/>
Common Code:	<input type="checkbox"/>
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	<input type="checkbox"/>
Names and addresses of additional Paying Agent(s) (if any):	<input type="checkbox"/>
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable] [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] <i>[include this text if “yes” selected in which case the Notes must be issued in NGN form]</i>

[THE FINAL FORM OF [SENIOR/SUBORDINATED] LOAN SUPPLEMENT WILL BE ATTACHED]

## 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 for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or common depositary.

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 or the Borrower 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 or the Borrower in respect of payments due under the Notes and such obligations of the Issuer and the Borrower will be discharged by payment to the holder of such Global Note or Global Registered Note.

### Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 7 days of the bearer requesting such exchange.

Whenever a 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 Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a 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 a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a 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 a 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 or increase the principal amount thereof or deliver Definitive Notes, as the case may be) 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 thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) 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 Trust Deed.) Under the Trust Deed, 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 will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary 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.

### **Exchange of Permanent Global Notes**

Whenever a 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 relevant Final Terms), in an aggregate principal amount equal to the principal amount of 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 Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global 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 bearer of the Permanent Global Note 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 (in the case of (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 Trust Deed). Under the Trust Deed, 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 Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the 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.

### **Exchange of Global Note Certificates**

Whenever a Global Note Certificate 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 Note Certificate within five business days of the delivery, by or on behalf of the holder of the Global Note Certificate 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 Note Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Trust Deed and 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 Note Certificate (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 Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then the Global Note Certificate (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 Note Certificate will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Note Certificate or others may have under the Trust Deed. Under the Trust Deed, 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 Certificate will acquire all those rights to which they would have been entitled if, immediately before the Global Note Certificate 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.

### **Conditions applicable to Global Notes**

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Note Certificate 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 Note Certificate 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.

*Exercise of put option:* In order to exercise the option contained in Condition 5.4 (*Put Option*) 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 and put notice, give written notice of such exercise to the Principal Paying Agent 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 5.3 (*Call Option*) 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 15 (*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 Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate 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 15 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## TAXATION

*The following is a general description of certain Swedish, Polish and Luxembourg tax considerations relating to the Notes and to the Programme. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the laws of Sweden, Poland and Luxembourg as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.*

### **The Kingdom of Sweden**

#### ***Noteholders not resident in Sweden***

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to the Noteholder should not be subject to Swedish income tax, provided that such Noteholder is not resident in Sweden for Swedish tax purposes and provided that such Noteholder does not have a permanent establishment in Sweden to which the Notes are effectively connected.

Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a Noteholder, except for certain payments of interest to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes.

Interest received by Noteholders being tax residents of countries other than Sweden may be taxed according to the domestic law of the countries of their tax residency. Accordingly, interest received by Polish Noteholders (individuals and legal persons) should be subject to 19% income tax in Poland.

#### ***Noteholders resident in Sweden***

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations, for example investment companies and life insurance companies.

If the Notes are held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes.

### **The Republic of Poland**

#### ***Polish withholding tax on interest paid by the Bank to the Issuer***

Under Polish Law, interest derived on the territory of Poland by the Issuer, being a corporate entity resident in Sweden, is subject to 20% withholding tax in Poland. However, it is possible to decrease the tax rate on the basis of:

- a relevant agreement on avoidance of double taxation (the “**DTT**”); or
- regulations of Polish corporate income tax act implementing the EU Directive on royalties and interest (“**EU Directive on Royalties and Interest**”) is currently applying the transitional period of implementation of the above-mentioned EU Directive. During the period from the date of

this Base Prospectus to 30 June 2009, interest paid out pursuant to EU Directive on Royalties and Interest may be taxed at source with 10% withholding tax in Poland. During the period from 1 July 2009 to 30 June 2013, the applicable withholding tax rate is reduced to 5%. Full implementation of the EU Directive on Royalties and Interest, and therefore an exemption of interest from withholding tax, will come into force starting from 1 July 2013.

The application of preferences resulting from the Poland-Sweden DTT (the treaty reduced rate of 0%) to the interest payments between the Bank and the Issuer is applicable only if:

- (i) interest is at arm's length (the excessive interest paid between related parties does not benefit from treaty protection and withholding tax at the standard rate may apply to such excessive amounts);
- (ii) the Bank is provided with a certificate of tax residency issued by the Swedish tax authorities, documenting the tax residency of the Issuer as at the time of the given interest payment;
- (iii) the limitation of benefits clause under the Poland-Sweden DTT does not apply; and
- (iv) the Issuer can be treated as the beneficial owner of interest received from the Bank under the Poland-Sweden DTT.

In general, payments of interest on borrowed funds by a Polish entity to a non-resident legal person are subject to Polish withholding income tax at a rate of 20%, subject to reduction or elimination pursuant to the terms of an applicable double tax treaty. Based on the professional advice it has received, the Borrower believes that, payments of interest on the Loans made by the Borrower to the Issuer will, more likely than not, not be subject to withholding taxes under the terms of the double taxation treaty between Poland and Sweden, provided the Polish tax documentation requirements (confirmation of the Issuer's tax residency in the form of a certificate of tax residency) are satisfied. In order to secure the Borrower's position, such certificate of tax residency should be renewed annually. However, as the double tax treaty between Poland and Sweden may be changed in the future, there can be no assurance that such double tax relief will continue to be available.

If the payments under the Loan Agreement are subject to any withholding taxes for any reason (as a result of which the Issuer would reduce payments under the Notes in the amount of such withholding taxes), the Borrower is obliged to increase payments as may be necessary so that the Issuer receives the net amount equal to the full amount it would have received in the absence of such withholding. In the event that the Borrower fails to increase the payments, such failure would constitute an Event of Default under a Senior Loan Agreement. If the Borrower is obliged to increase payments, it may prepay the Loan in full. In such case, all outstanding Notes would be redeemable at par with accrued interest.

Currently the Polish Corporate Income Tax Law requires the tax remitter to document the tax residency status of the recipient (here: the Issuer) as at the payment date, without imposing any specific timeframe for documentation. The Bank, as the Polish withholding tax remitter is responsible for any tax arrears resulting from application of the incorrect tax rate or non-withholding the tax (unless the tax has not been withheld or withheld in a wrong amount due to the fault of the taxpayer). Therefore, if the Issuer as the recipient of interest under the Loans does not provide a valid tax residency certificate, the Polish tax remitter should withhold the tax at the standard domestic 20% rate. The same would apply if interest recipient is not entitled to protection under the applicable double taxation treaty or the Polish domestic regulations implementing the EU Directive on Royalties and Interest.

#### ***Withholding tax collection and reporting requirements in Poland***

If applicable, withholding tax should be withheld by the Bank at the moment of payment and transferred to the relevant Tax Office by the seventh day of the month following the month in which the tax was withheld. Additionally, a tax remitter is obliged to send the respective information on the

payments made and on the tax withheld to the taxpayer and to the Polish tax office by the end of the third month of the year following the tax year in which the interest payments were made.

Upon a written request the taxpayer is entitled to obtain from the tax remitter information on the interest payments made and on the tax withheld (within 14 days from the date of the submission of the written request).

The remitter is obliged to submit to the Polish tax office an annual tax return regarding withholding tax by the end of the first month of the year following the tax year in which the obligation to pay the tax arises.

### ***Refund of overpaid Polish withholding tax***

If withholding tax is overpaid or unduly withheld by the Bank as the tax remitter, then generally, pursuant to Polish regulations, the interest recipient/legal owner of the interest can claim the refund of the overpaid tax within five years after the tax is deducted. The application for a refund requires the submission of an application for a statement of tax overpayment to a relevant tax office.

### ***Payments made to the Trustee after enforcement of the security***

In the case of interest and fee payments made to the Trustee following any enforcement of security, the key issue is to resolve whether the Issuer or the Trustee or another entity, on the basis of an agreement with the Issuer, may be treated as a recipient and/or beneficial owner of the interest received from the Borrower. There is a lack of clarity as to who the beneficial owner of the interest is, not only due to the absence of a definition of "beneficial owner", but also due to the fact that the concept of trust is not recognised by Polish regulations and, moreover, that the Trust Deed is governed by English law. The mere transfer of administrative rights and obligations from the Issuer to the Trustee should not impact on the Issuer's right to apply the exemption from withholding tax on interest provided by the Poland-Sweden DTT. Due to the transfer of administrative rights and obligations, the Issuer is not denied legal ownership of the interest. The role of the Trustee is limited to settling the relevant payments, to transferring such payments to the recipients, and to maintaining all technical and administrative data. However, in circumstances where the Issuer ceases to be the recipient of the interest with the full right to dispose of it as its owner, then the Trustee may come to be deemed to be the recipient and/or the beneficial owner of the interest in accordance with the tax treaty between Poland and the country where the Trustee is a resident. As a result, the taxation of interest and other fees constituting remuneration for making capital available should be subject to the treaty between Poland and the country where the Trustee is a resident. It is also possible, however, that the treaty between Poland and the country where the Trustee is a resident may not be applied, because the Trustee, by nature of its functions and contractual obligations, may not qualify as the recipient and/or the beneficial owner of the interest for the purposes of the relevant tax treaty. In such a case (i.e. when neither the Issuer nor the Trustee may be treated as the recipient and/or the beneficial owner within the meaning of the relevant double tax treaty), it cannot be excluded that the Polish tax authorities will support the position that the withholding tax on the interest can only be reduced or eliminated based on the double tax treaty concluded between Poland and the country in which the Noteholder is a tax resident, if any, and the provisions of such treaty, subject to compliance with treaty clearance formalities (such as the delivery of a tax residency certificate to the Bank). At the same time, if withholding tax applies, the Bank is obliged to increase such interest payment to the extent necessary so that the Trustee receives a net amount equal to the full amount it would have received in the absence of such withholding tax.

### **EU Savings Directive**

Under the EU Savings Directive on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a

transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35% (unless during that transitional period they elect to provide information in accordance with the EU Savings Directive). Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also, a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

## **Luxembourg**

All payments of interest and principal by Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (15% from 1 July 2005 to 30 June 2008, 20% from 1 July 2008 to 30 June 2011 and 35% from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see, paragraph "*EU Savings Directive*" above) and agreements; and
- (ii) the application as regards Luxembourg resident individuals (acting in the context of the management of their private wealth) of the Luxembourg law of 23 December 2005, as amended by law of 17 July 2008, which has introduced a 10% final withholding tax on savings income paid by a Luxembourg paying agent (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive). The law applies to savings income accrued as from 1 July 2005 and paid as from 1 January 2006. In addition, an optional and final 10% tax can be applied by Luxembourg resident individuals on savings income that is being paid by a paying agent that is established outside Luxembourg but within the EU or in a country that is member to the EEA agreement. The 10% tax would not be final in the case of savings income received by an individual in the course of his business activity, agricultural or forestry activity or in the course of a liberal profession.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 (as amended) is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer. As an exception to this rule, Luxembourg resident individuals who have opted for taxation through withholding on savings income paid by a

paying agent established outside Luxembourg will be required to meet the withholding tax obligations themselves.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of HSBC Bank plc and Société Générale or such other Dealers as may be appointed from time to time in respect of any Series of Notes (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 23 April 2010 (the “**Dealer Agreement**”) and made between the Issuer, the Borrower and the Dealers. 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 purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. 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 and regulations 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**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “**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 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) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive

*provided that* no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### **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 or the Borrower; 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 and Polish translation of its summary as required under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Journal of Laws of 2005, No. 184 item 1539) (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 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 100 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, the Borrower 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

### Authorisations

1. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer adopted on 14 July 2008 and the renewal of the Programme on 23 April 2010 was authorised by a resolution of the Board of Directors of the Issuer adopted on 22 April 2010.

The establishment of the Programme and the entering into of the Senior Facility Agreement and the Subordinated Facility Agreement was authorised by resolutions of the Management Board of the Borrower adopted on 15 July 2008, as updated on 11 March 2010, and by the Supervisory Board of the Borrower adopted on 16 July 2008.

Each of the Issuer and the Borrower (as the case may be) 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 and the execution and performance of the Senior Facility Agreement and the Subordinated Facility Agreement (as applicable).

### Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Borrower 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 or the Borrower and its subsidiaries.

### Significant/Material Change

3. There has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer since 31 December 2009. There has been no material adverse change in the prospects of the Borrower and its subsidiaries since 31 December 2009 nor has there been any significant change in the financial or trading position of the Borrower and its subsidiaries since 31 December 2009.

### Auditors

4. PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw (00-638 Warszawa, Al. Armii Ludowej 14), audited the consolidated financial statements of the Group for the years ended 31 December 2009 and 2008 and issued unqualified auditor's opinions on the aforementioned financial statements. PricewaterhouseCoopers Sp. z o.o. audited the stand-alone financial statements of the Bank for the year ended 31 December 2009 and the stand-alone financial statements for the year ended 31 December 2008 and issued unqualified opinions on the aforementioned financial statements. The stand-alone financial statements audited by PricewaterhouseCoopers Sp. z o.o. are not incorporated into this Base Prospectus by reference.

PricewaterhouseCoopers Sp. z o.o. is registered in the register of auditors held by the National Chamber of Statutory Auditors under No. 144. On behalf of PricewaterhouseCoopers Sp. z o.o., the consolidated financial statements of the Group for the years ended 31 December 2009 and 2008 were audited by Antoni F. Reczek (certified auditor, licence No. 90011).

Öhrlings PricewaterhouseCoopers AB, with its registered office in Stockholm (Torsgatan 21, 113 97 Stockholm, Sweden), audited the stand-alone financial statements of the Issuer for the year ended 31 December 2009 and the stand-alone financial statements of the Issuer for the period from 1 July 2007 to 31 December 2008 and issued unqualified auditor's opinions on the aforementioned financial statements.

On behalf of Öhrlings PricewaterhouseCoopers AB, the stand-alone financial statements of the Issuer for the period from 1 July 2007 to 31 December 2008 and for the year ended 31 December 2009 were audited by Sussanne Sundvall who is a member of FAR in Sweden.

There were no events of resignation or dismissal of a certified auditor appointed to audit the financial statements of the Bank or the Group in the period covered by the Consolidated Financial Statements included in this Base Prospectus.

In accordance with the Statute, an auditor authorised to audit the financial statements of the Bank and the consolidated financial statements of the Group is appointed by the Supervisory Board.

On 17 April 2008, the Supervisory Board appointed PricewaterhouseCoopers Sp. z o.o. as the auditor authorised to audit the annual financial statements of the Bank and the annual consolidated financial statements of the Group and to review the interim financial statements of the Bank and the interim consolidated financial statements of the Group for the years 2008-2010.

On 27 June 2008, the Issuer appointed Öhrlings PricewaterhouseCoopers AB as the auditor authorised to audit the annual stand-alone financial statements of the Issuer for the year ended 31 December 2010.

### **Documents on Display**

5. Copies of the following documents (and the English translations where the original documents are not in English) may be inspected during normal business hours at the specified offices of the Principal Paying Agent and the Luxembourg 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 and Certificate of Registration of the Issuer;
  - (c) the By-laws (*Statut*) of the Borrower;
  - (d) the audited consolidated financial statements of the Group for the years ended 31 December 2009 and 2008;
  - (e) the auditors' reports in respect of the audited consolidated financial statements of the Group for the years ended 31 December 2009 and 2008;
  - (f) the audited stand-alone financial statements of the Issuer for the period from 1 July 2007 to 31 December 2008;
  - (g) the auditors' report in respect of the audited stand-alone financial statements of the Issuer for the period from 1 July 2007 to 31 December 2008;
  - (h) the audited stand-alone financial statements of the Issuer for the year ended 31 December 2009;
  - (i) the auditors' report in respect of the audited stand-alone financial statements of the Issuer for the year ended 31 December 2009;
  - (j) the Agency Agreement;
  - (i) the Trust Deed;
  - (k) the Senior Facility Agreement;
  - (l) the Dealer Agreement;

- (m) the Account Bank Agreement; and
- (n) the Issuer-ICSDs Agreement.

**Clearing of the Notes**

6. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms relating thereto. 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.

**REGISTERED OFFICE OF THE ISSUER**

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**REGISTERED OFFICE OF THE BORROWER**

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**TRUSTEE**

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**LUXEMBOURG PAYING AGENT**

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**à Luxembourg**

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